

**ARE CURRENT SAFEGUARDS  
PROTECTING TAXPAYERS  
AGAINST DIPLOMA MILLS?**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON 21ST CENTURY  
COMPETITIVENESS

OF THE

COMMITTEE ON EDUCATION  
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

September 23, 2004

**Serial No. 108-72**

Printed for the use of the Committee on Education and the Workforce



Available via the World Wide Web: <http://www.access.gpo.gov/congress/house>

or

Committee address: <http://edworkforce.house.gov>

U.S. GOVERNMENT PRINTING OFFICE

95-958 PDF

WASHINGTON : 2004

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## **ARE CURRENT SAFEGUARDS PROTECTING TAXPAYERS AGAINST DIPLOMA MILLS?**

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**Thursday, September 23, 2004**

**U.S. House of Representatives**

**Subcommittee on 21st Century Competitiveness**

**Committee on Education and the Workforce**

**Washington, DC**

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The Subcommittee met, pursuant to notice, at 11:05 a.m., in room 2175, Rayburn House Office Building, Hon. Howard P. “Buck” McKeon [Chairman of the Subcommittee] presiding.

Present: Representatives McKeon, Petri, Castle, Ehlers, Tiberi, Osborne, Gingrey, Burns, Kildee, Tierney, Wu, Holt, McCarthy, Van Hollen, and Ryan.

Staff present: Kevin Frank, Professional Staff Member; Sally Lovejoy, Director of Education and Human Resources Policy; Catharine Meyer, Legislative Assistant; Krisann Pearce, Deputy Director of Education and Human Resources Policy; Samantar, Deborah L., Committee Clerk/Intern Coordinator; Kathleen Smith, Professional Staff Member; Jo-Marie St. Martin, General Counsel; Ricardo Martinez, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; and Joe Novotny, Minority Legislative Assistant/Education.

Chairman McKEON. A quorum being present, the Subcommittee on 21st Century Competitiveness of the Committee on Education and the Workforce will come to order.

We are holding this hearing today to hear testimony addressing the question, “Are Current Safeguards Protecting Americans Against Diploma Mills?” Under Committee Rule 12(b), opening statements are limited to the Chairman and the Ranking Minority Member of the Committee. Therefore, if other members have statements, they will be included in the hearing record.

With that, I ask unanimous consent for the hearing record to remain open 14 days to allow members’ statements and other extraneous material referenced during the hearing to be submitted in the official hearing record.

[No response.]

Chairman McKEON. Without objection, so ordered.

**STATEMENT OF HON. HOWARD P. "BUCK" McKEON, CHAIRMAN, SUBCOMMITTEE ON 21st CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE**

Chairman McKEON. Good morning, and thank you today for joining us for this very important hearing on the issue of diploma mills. This hearing is intended to examine questions about what constitutes a diploma mill, and hear more about the safeguards that currently exist in the law to protect consumers, taxpayers, and the Federal Government from the proliferation and tactics of fraudulent institutions claiming to provide a legitimate higher education.

I want to start by welcoming our witnesses today and thanking them for joining us.

No formal legal definition exists for a diploma mill, but they are generally regarded by many as an entity that lacks accreditation from a state or a professional organization. Diploma mills are also described as selling college and graduate degrees that are fraudulent or worthless because of a lack of standards in curriculum, instruction, and completion.

However, there is more to the definition than that. It is important to differentiate between non-accredited institutions of higher education and diploma mills. I hope our witnesses will be able to draw that distinction for us here today.

Additionally, stories and conversations about diploma mills tend to turn into conversations about online institutions and education over the Internet. Although many diploma mills operate their phony institutions of higher education over the Internet, it is important to distinguish between these scams and legitimate, credible online institutions that operate quality, accredited distance learning programs.

Diploma mills harm students, taxpayers, and both Federal and state governments. They mislead consumers and employers, and pose dangers to legitimate institutions of higher education.

Reliance on phony degrees is not a victimless crime. Take the deserv- ing story of an individual claiming to be a physician in North Carolina who treated an 8-year-old girl for complications with diabetes. The girl's mother trusted the "doctor," based on his M.D. degree, and took her daughter off of insulin, as instructed. Sadly, her daughter died. The physician—he earned his degrees from bogus institutions. All of his diplomas came from diploma mills.

Although the Federal Government has been successful in keeping phony institutions out of the Federal student aid programs, in recent years policymakers at both the Federal and state levels have begun to recognize the need to find ways to keep diploma mills out of business all together.

I hope our witnesses can talk more about current safeguards that are in place, as well as offering insight into what more can be done to keep fraudulent institutions out of the marketplace.

Thank you again for joining us here today to discuss this important topic. I want to also thank Congressman Castle for bringing this to our attention, and asking us to hold this hearing. He is a great colleague and a great member of this body.

I look forward to hearing your testimony here today so that my colleagues and I can learn more about this very serious issue. I will now yield to Congressman Kildee for his opening statement.

[The prepared statement of Chairman McKeon follows:]

**Statement of Hon. Howard P. “Buck” McKeon, Chairman, Subcommittee on 21st Century Competitiveness, Committee on Education and the Workforce**

Good morning and thank you for joining us today for this very important hearing on the issue of diploma mills. This hearing is intended to examine questions about what constitutes a diploma mill and hear more about the safeguards that currently exist in the law to protect consumers, taxpayers, and the federal government from the proliferation and tactics of fraudulent institutions claiming to provide a legitimate higher education.

I want to start by welcoming our witnesses and thanking them for joining us here today.

No formal legal definition exists for a diploma mill, but they are generally regarded by many as an entity that lacks accreditation from a state or a professional organization. Diploma mills are also described as selling college and graduate degrees that are fraudulent or worthless because of a lack of standards in curriculum, instruction, and completion.

However, there is more to the definition than that. It is important to differentiate between non-accredited institutions of higher education and diploma mills. I hope our witnesses will be able to draw that distinction for us here today.

Additionally, stories and conversations about diploma mills tend to turn into conversations about on-line institutions and education over the Internet. Although many diploma mills operate their phony institutions of higher education over the Internet, it is important to distinguish between these scams and legitimate, credible on-line institutions that operate quality accredited distance learning programs.

Diploma mills harm students, taxpayers, and both federal and state governments. They mislead consumers and employers and pose dangers to legitimate institutions of higher education.

Reliance on phony degrees is not a victimless crime. Take the disturbing story of an individual claiming to be a physician in North Carolina who treated an 8-year old girl for complications with diabetes. The girl’s mother trusted the “doctor” based on his MD degree, and took her daughter off of insulin, as instructed. Sadly, her daughter died. The physician? He earned his “degrees” from bogus institutions; all of his diplomas came from diploma mills.

Although the federal government has been successful in keeping phony institutions out of the federal student aid programs, in recent years, policy makers at both the federal and state levels have begun to recognize the need to find ways to keep diploma mills out of business altogether. I hope our witnesses can talk more about current safeguards that are in place, as well as offer insight into what more can be done to keep fraudulent institutions out of the marketplace.

Thank you again for joining us here to discuss this important topic. I look forward to hearing your testimony so that my colleagues and I can learn more about this very serious issue.

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**STATEMENT OF HON. DALE E. KILDEE, RANKING MEMBER, SUBCOMMITTEE ON 21st CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE**

Mr. KILDEE. I thank you, Mr. Chairman. I am pleased to join you at today’s hearing on diploma mills. This hearing represents an important opportunity to learn more about this increasingly concerning practice. I know that both of us are looking forward to today’s hearing and learning about this issue from our witnesses.

Higher education in this country is recognized for its standards and the rigorous education it provides our students. Accreditation helps assure this rigor, enables us to insure that we are protecting taxpayer resources that are utilized for student aid.

The quality of our institutions of higher education enable businesses to be certain they are hiring employees with the skills and

knowledge they need to compete and remain profitable. Diploma mills undermine all this.

Diploma mills impact everyday citizens. Consumers can and have been hurt when they receive care or services from individuals with false credentials. Doctors and other health professionals who practice with fraudulent degrees have inflicted irreparable harm upon their customers.

Diploma mills also harm the integrity and perception that the public and employers have about higher education in this country. Individuals who purposefully or unknowingly buy degrees and other certificates from diploma mills are helping to perpetuate this fraud.

Very simply, diploma mills need to be shut down. States need to be more forceful in their prosecution in monitoring suspect institutions. But the Federal Government also has an important role. The Department of Education needs to be vigilant in ensuring that accreditors are maintaining high standards when they review their institutions of higher education.

But the Department of Education cannot and should not be expected to do this on their own. We need additional focus from the FBI and other agencies that can prosecute individuals who commit mail or wire fraud. Collectively, the efforts of states and the Federal Government can and should end this practice.

I look forward to learning more today about what can be done to combat these fraudulent operations. And again, Mr. Chairman, I thank you and Mr. Castle for your deep interest in this matter. And I yield back the balance of my time.

Chairman McKEON. Thank you. I will now introduce our witnesses. First, we will hear from Mr. Allen Ezell. From 1960 to 1991, Mr. Ezell served as an agent for the Federal Bureau of Investigation. During his tenure, Mr. Ezell directed the FBI investigation of DIPSCAM, a task force that worked to expose and shut down fraudulent degree programs.

Mr. Ezell currently serves as vice president of corporate fraud investigative service for the Wachovia Corporation.

Then we will hear from Ms. Jean Avnet Morse. Ms. Morse currently serves as executive director for the Middle States Commission on Higher Education, an association that seeks to promote and ensure quality assurance and improvement in higher education. The Middle States Commission is a regional accrediting agency recognized by the U.S. Department of Education.

And finally, we will hear from Mr. Robert Cramer. Mr. Cramer currently serves as the managing director of the Office of Special Investigations at the U.S. Government Accountability Office, which is commonly known as the investigative arm of Congress.

Prior to his current position, Mr. Cramer served as the assistant United States attorney in the southern district of New York.

Before you begin, I would like to explain the light system we have there. You have 5 minutes to summarize your testimony. The green light means start. The yellow light means you have a minute left, and the red light means you're done.

We appreciate your being here, and we're looking forward to, as I said, hearing from you. We will begin with Mr. Ezell.



**STATEMENT OF OTHO ALLEN EZELL, JR., RETIRED AGENT,  
FEDERAL BUREAU OF INVESTIGATIONS, APOLLO BEACH, FL**

Mr. EZELL. Good morning. Can you hear me, sir? Thank you.

Mr. Chairman, Committee members, it is a pleasure for me to appear before the Committee today. Let me commend you for recognizing that diploma mills are a problem, and for holding these hearings.

As you know, I am a retired FBI agent. For 11 years I conducted DIPSCAM, Operation DIPSCAM. I purchased 10 bachelor's, 19 master's, 4 Ph.D.s, 2 M.D.s, and I assisted other FBI agents in the purchase of their degrees. We executed 16 Federal search warrants, we obtained 19 grand jury indictments, and we convicted 21 people. So as you can see, it can be done.

Our defendants were male and female, black and white, young and old. Several had legitimate bachelor's, master's, and doctorate degrees. We lost no cases on appeal. The one case that went through the fourth circuit to the Supreme Court, the Supreme Court refused to hear it, so therefore the lower court's affirmation stood.

In those days, 1980 to 1991, degree mills were less sophisticated than they are today. Our largest degree mills sold about 2,500 degrees and grossed about \$2 million. That is nothing compared to today's degree mills.

As you know, Senator Collins held hearings earlier this year and exposed 460 Federal employees, GS-15 and above, with these types of degrees, and determined that the government had spent \$150,387.80 on some of these degrees. And this was just from six agencies and the Pentagon. She described this as the tip of the iceberg, and I agree.

I wonder what we would uncover in the other 98 percent of the Federal agencies, and what action, if any, has been taken against those who were exposed? What word has gotten out? Degree mills are well over a \$500 million a year business. Probably one million Americans have purchased and probably used fictitious credentials.

Upon my retirement in 1991, the FBI no longer had a concerted effort in the area of education fraud. Thereafter, no Federal law enforcement agency considered this an investigative priority. Thus, no one investigated cases except on a catch as catch can basis.

Yes, in recent years, we have seen successful cases involving James Kirk, LaSalle University in Louisiana, and Ronald Pellar in Louisiana and California, Columbia State University.

Ironically, Kirk has a degree from Southeastern University, Greenville, South Carolina—one of my alma maters—my first case in DIPSCAM, and probably operated two schools while serving time in a Federal prison camp. LaSalle grossed \$36.5 million and the FBI seized about \$11 million in 8 bank accounts, after which Kirk was indicted and convicted.

Ronald Pellar, however, holds another distinction. He operated his college scam while he was a Federal fugitive in another case. Pellar grossed between \$20 million to \$72 million, depending on who you believe.

Still, these revenues are nothing compared with the behemoth operation university degree program. I am sure you have received one of their millions of spam e-mails which state "No required

tests, classes, books, or interviews, and everyone is approved.” That’s my type of school.

This operation run by several Americans from boiler rooms in Jerusalem and Bucharest, sold degrees, transcripts with verifications on at least 18 schools, probably with 20 spin-offs or clones, from 1998 to 2003, and in my opinion, grossed \$435 million.

The registrars brag that the United States residents account for the majority of their sales. Since I have a degree in accounting, imagine the cost of goods sold when you have no facility, no faculty, no depreciation, no salaries, and no pensions. You sell bachelor’s, master’s, and doctorates in everything from aviation to zoology, and 26 in the medical field.

The backbone of UDP is their degree verification service and recommendation letters from the professors. Where do you think these people with degrees in medical majors are doing with their degrees? Where do you think they are employed? And while no one in Federal law enforcement is doing anything about it, these operators have nothing to fear.

While I was working on my testimony for today, I received a return call on a spam that I had responded. I was offered my M.D. degree this Tuesday for \$1,995 from Somerset University. Several hours later, he called me at the end of his shift and his price had gone down to \$995. Now he was calling me from New York, although they have an address in London, England.

Degree mills have blossomed with the worldwide use of the Internet. They have made it possible for legitimate distance education, and that’s where the degree mills also hide. Fictitious credentials are a worldwide problem. Our crooks sell our wares to foreign students, and the foreign crooks sell their paper to our citizens. The Internet knows no borders, and anything is available for a price.

As you said, degree mills are a problem, because they damage by misunderstanding in the public mind, the legitimate educational institutions. They devalue earned degrees with lookalikes and soundalikes. They confuse the public. They defraud students who believe the school is real. They deceive employers, customers, clients, and patients. They lower the prestige abroad by defrauding foreign students.

Dr. John Bear and I testified in United States District Court in Charlotte on a physician whose degrees came from three of my alma maters. He was a ringer. He was convicted and he is in Federal prison.

You, along with employers and real educational institutions must not only be aware of the degree mill institutions and names of schools you don’t recognize. Then you have got counterfeit degrees and transcripts on our legitimate colleges and universities, because also available on Internet are those loss replacement diploma services selling fake degrees and transcripts from legitimate, accredited traditional colleges and universities.

I have purchased counterfeit degrees of both universities that I have sent my daughters to. Today I can buy a counterfeit degree and transcript from George Washington University, University of Maryland, and hundreds of others for less than \$100 with no impunity. It should not be this easy.

In my opinion, degree mills can be stopped. It is basic supply and demand. Have the FBI dedicate one FBI agent to work education fraud exclusively, purchase some diplomas, execute some search warrants, make some arrests. The word will get out. I guarantee it. These people pay attention to the market place.

At the same time, prosecute and publicize those egregious instances where diploma mill paper was used to obtain employment, get raises, or where government funds were used, to buy the paper to begin with. This will decrease the demand, which in turn will dry up the supply side. This can be done if you have the desire.

Encourage the Department of Education to develop their web-based list of legitimate schools. Encourage states, just like you were saying, to adopt legislation similar to that of Oregon, and establish an office of degree authorization and to maintain a website which indicates which school degrees can be used for educational credentials in that state, or the user faces arrest.

At the same time, the Federal Government needs to be consistent in all of its handling of Federal employees using degree mill degrees. I was appalled that Laura Callahan, the official at the Department of Homeland Security, was hung out to dry after a 19 year career for her possession of degrees from Hamilton University, especially when you consider that the position she held held no educational qualifications. She is not street-wise. She had heard of degree mills, but not accreditation mills, and did not know it was a degree mill.

She obtained these degrees over a several-year period with her own funds, no Federal money involved. In my opinion, her agency—then, the new Department of Homeland Security—was gun shy as a result of all the publicity they received here in Washington. They took the easy way by rescinding her security clearance, showing her the door, resulting in her later resignation.

Possession of a degree mill diploma is not itself grounds for revocation of a security clearance. With all the degrees that I bought, nobody ever came to me and questioned revoking my security clearance as an FBI agent.

What has happened to Charlie Abell, Deputy Under Secretary of Defense, with a degree from Columbus University; Jimmy Shirl Parker, Federal Technology Service, GSA, California Coast University; Daniel P. Matthews, Transportation Department, Kipp College; and many, many others?

In our effort to get this message out, Dr. John Bear and I have written a new book titled, "Degree Mills," which will be available in January. Additionally, we have a website under construction, [degreemills.com](http://degreemills.com), which will be operational shortly, where we can post up-to-date information on who is selling who to what for how much on a daily basis, because diploma mills change their names as fast as you and I change our socks.

Further, Dr. Bear and I have associated ourselves with the commercial services division of U.S. Investigation Service in order to maintain and update their comprehensive degree mill data base.

I know I have gone quickly to summarize this. The field is very broad, and you have opened up a can of worms that goes in many places. I thank you for the opportunity to be here. It is an honor

for me. And any questions that I can answer, I will be glad to. Thank you.

[The prepared statement of Mr. Ezell follows:]

**Statement of Otho Allen Ezell, Jr., Retired Agent, Federal Bureau of Investigation, Apollo Beach, FL**

Mr. Chairman and Members of the Committee:

It is my pleasure to be here today. Let me commend your for recognizing Degree Mills as a problem and for holding these hearings. Although I was not present during the January and March, 1924 Congressional Degree Mill hearings, I was present for Congressman Claude Pepper's hearing in December, 1985, and Senator Susan Collins' hearing in May, 2004. Although there was a lot of talk during these hearings, there were no lasting actions taken. Now here we are again. In fact, the entire matter has just blossomed with the advent of the internet.

For background, staff members for Congressman Pepper were able to purchase a Ph.D. for the Congressman from Union University, Los Angeles, Ca., and staff for Senator Collins were able to purchase both Bachelor and Masters degrees in Biology and Medical Technology respectively for her from Lexington University, based in Middleton, New York (via [www.Degrees-R-Us.com](http://www.Degrees-R-Us.com)). I find it odd these entities were never "raided" by federal or state law enforcement in execution of a federal search warrants, and their operator's were never prosecuted. I have previously arrested Degree Mill operators with less probable cause. As high profile as these schools were, and nothing happened, I find this unbelievable.

I agree with Senator Collins that what her committee uncovered is just the "tip of the iceberg". They found 1,200 resumes as contained in a government-sponsored data base, listed degrees from 14 different Degree Mills. After a degree audit of six federal agencies, including the Pentagon, for GS-15 and above positions, they determined at least 463 federal employees (at these agencies) had obtained degrees from unaccredited schools. The United States Government paid \$150,387.80 to several of these schools for those federal employees who requested reimbursement. Keep in mind these schools do not have a dollar charge per credit hour (only X dollars per degree), thus they created a fictitious billing statements for a per course/hour charge, which was then sent to their agency for payment.

Thus, if only two percent (2%) of federal agencies were audited at which they found 463 employees at a cost of \$150,387.80 to the government, I wonder what the results would be if a degree audit would be conducted at the remaining 98% of federal agencies. Further, Senator Collins committee found the five Degree Mills they encountered with the above employees had, from 1995-2003, grossed \$111,000,000. I also wonder what the entire universe of Degree Mills looks like. Senator Collins committee estimates Degree Mills gross at least \$500,000,000 each year (and this may even be understand).

I am a second generation FBI Agent having retired in December, 1991. For an eleven year period I investigated Degree Mills throughout the United States and abroad. Collectively, these many investigations were called Operation Diploma Scam (DIPSCAM). During this time, I responded to advertisements as a potential buyer, received the school's literature via the United States Mails, made and recorded interstate telephone calls to and from my schools, all resulting in my purchasing various degrees which were accompanied by transcripts.

In all those years, the most new work I did were several papers (not more than 5 pages it length) for Masters Degrees. In some instances, I negotiated with the school representative relative on my Grade Point Average (GPA). All of my schools offered degree verification for employment purposes and some even had alumni association, class rings, school decals, sweat shirts, hats, decals, etc., all indicia of legitimacy. However, most did not have a campus nor an educational facility, faculty, any meaningful academic instruction, nor educational motivations, etc. Since their advertisements/brochures/literature looked good, thus they must be "real". [Put 1,000 or 2,000 miles between a students mail box and his school, anything is possible. The student never knows the school only exists at a mail drop/answering service in a distant city].

During our first investigation, after we had purchased our Bachelor, Master, and Ph.D. degrees from Southeastern University, Greenville, S.C., all based on life experience (with no new work submitted), officials of then North Carolina National Bank (now Nations Bank), Charlotte, North Carolina, (in cooperation with the FBI), corresponded with officials of Southeastern University and indicated two young men had applied for positions with the bank, thus they sought verification of their degrees. The President of the Southeastern University then verified to bank officers,

our degrees (and transcripts) via the U.S. Mails, and made glowing remarks about his two graduates. When we took a tour of our alma matter, we were recruited to raise funds for the university and keep one third for ourselves. During our tour, the President of the university showed us where our student files were kept along with the files of their many other graduates. Later, the Assistant United States Attorney, Western District of North Carolina, wanted to be able to prove in U.S. District Court that Southeastern Seminary was as crooked as the university, thus a third FBI Agent negotiated for a Masters degree in Divinity and agreed on a price of \$5,000. On 5/4/81, at the appointed time for the Agent to pay for, and pick up his degree, we three arrived as FBI Agents with a federal search warrant. We took all documents and other items described in the search warrant, including a cabinet full of student files. We then left for Charlotte, which is about 90 miles North of Greenville, S.C. The seized items were then entered into evidence and the appropriate paperwork completed—none of the records had yet been reviewed.

The next morning we received a telephone call from local authorities in Greenville, South Carolina, who advised that Dr. Alfred Q. Jarrett, President and founder, Southeastern University, had committed suicide during the evening, after we left his university which had been operated from several rooms in his personal residence.

When we reviewed the records of Southeastern University, we determined during its eleven year existence, they had 620 “graduates” of which 171 were employed by federal, state, and local governments employees. Some “graduates” held Senior Executive Service (SES) positions in Washington, D.C.

As result of the above, we created a computerized date base of all our “graduates”, then and on an on going basis, we furnished these names to the Office of Personnel Management, Inspectors General of the Respective agencies, and to the various State Attorneys General. As each DIPSCAM case was adjudicated, we entered a list of the schools “graduates” into evidence, thus making it a “public record” which then became available to universities and the media. At the time of my retirement in December, 1991 the DIPSCAM data base contained the names and all pertinent information on over 12,000 “graduates”. Some worked in private industry, education, law enforcement, medicine, military, and numerous state and federal agencies.

During DIPSCAM, from 1980–1991, we purchased 40 degrees, executed 16 federal search warrants, had 19 indictments returned by the Federal Grand Jury, convicted 21 persons, and over 40 schools were dismantled. We never lost a case and won the only two convictions which were appealed. Only one case (with multiple convictions) went to the U.S. Supreme Court, which the court declined to hear thus sustaining the opinion of the Fourth Circuit Court of Appeals affirming the conviction. During DIPSCAM, the highest gross revenues we found were \$2,000,000 for our Degree Mills. [Details for many of the schools we visited are contained in the attached listing and articles].

Degree Mills are not just recent problems. We have had them in the United States since about 1835. As long as we have a credential conscious society, where the degree/transcript you possess gets you the interview/promotion/salary increase (instead of the requisite knowledge/job skills), then we will always have Degree Mills. I say this because Degree Mills are nothing but criminal enterprises operated for profit. This is Education Fraud and no different from any other fraud (and in some instances similar to counterfeiting), only here the crooks are selling either fictional or worthless academic credentials (and again, sometimes counterfeit documents).

These crooks are like chameleons, they will change their criminal enterprise to adapt to their surroundings and conditions, thus their scheme will always “blend in”. This is what has happened in the last decade with the acceptance of the concept of credit for life experience, non-traditional education, distance learning, etc. The Degree Mill operators due their best to blend in with legitimate colleges and universities offering real distance learning. In fact, many have copied materials for their web sites from legitimate colleges and universities, and in some instances, even named their entity one letter or word different from the real school, intentionally wanting its victims to confuse it with the real school which has name recognition and reputation. These Degree Mill operators know how to expertly adapt to current conditions and how to exploit gaps in federal and state law, law enforcements priorities, prosecutive guidelines, etc.

I know of one instance where an individual who operates numerous Degree Mills, after the horror of 9/11 and resulting creation of the Department of Homeland Security, he then created the International College of Homeland Security where he offers certificates/diplomas in homeland security, in addition to Bachelor, Master, and Ph.D. degrees in public administration/homeland security and public safety, along with certificates and diplomas in human reliability/beyond crisis prevention. He

even has a “Homeland Security Specialist Program” where he discusses our vulnerability to terrorism in his sales pitch. If this is not enough, this college states “all of our course designers, developers, and professors are experts in their particular field of homeland security and the public safety. Most are former or present FBI Agents, criminal investigators, emergency and disaster planning professionals, lawyers, U.S. Border Patrol personnel, U.S. Customs professionals and homeland security personnel.” [I highly doubt this].

They also operate Homeland Security University whose motto is “Protecting Your Country Through Knowledge” ([www.homeland-security-college.org](http://www.homeland-security-college.org)). This university also has an on line “University Store” where various items are for sale bearing the school logo.

Today, this college indicates it is located in Moscow, Russia; yesterday, it was in Washington, D.C.; Rochester, New York; Mariastein, Switzerland; Liberia and Canada, even though it is operated by Richard J. Hoyer, Rochester, New York, with assistance from Dixie Randock, Spokane, Washington, and can be contracted through [www.4acollegedegree.com](http://www.4acollegedegree.com). They also operate St. Regis University of Monrovia, Liberia and various related entities. St. Regis University, (and its related entities), is probably one of the largest Degree Mills operating today. These universities are highly mobile, and their purported addresses change frequently.

Degrees from St. Regis University have appeared all over the United States. Recently, eleven school teachers in Georgia were found to have graduate degrees from St. Regis University and these teachers had been paid increased salaries for several years because of these graduate level degrees. Once the \$36,000 has since been repaid by the teachers, whose teaching credentials were later revoked, they all resigned. State officials are considering if they will also prosecute these teachers. If just one state has 11 “graduates” of St. Regis University for which they were paid increased salaries for these graduate, I wonder how many graduates are employed in the remaining 49 states, and how many tax dollars are being paid. Under the No Child Will Be Left Behind Act, most teachers have until 2005–2006 to meet federal standards for being “highly qualified,” which can include holding an advanced degree in the subject they teach. This increased pressure on the teachers, in conjunction with teachers busy schedules, may be turning them to Degree Mills.

In San Antonio, Texas, many firemen were recently found to have degrees from St. Regis University, thus they received increased salaries. This too made its way into the press. Again, I wonder where else, and in other professions, where this is happening.

The Chrysler Foundry in Indianapolis, Indiana, will be closing in 2007, thus many of these displaced employees feel the need to obtain a college degree before they re-enter the job market. Chrysler offers its employees up to \$4,600 each year in tuition assistance, with the requirement that the courses are from an accredited institution. Chrysler, with the help of the local UAW, promoted and paid for the St. Regis program. More than 76 employees enrolled in St. Regis University. That’s at least \$42,000. Now that this scam has been exposed by WTHR TV in Indianapolis, may Chrysler workers be embarrassed and outraged. A Bachelor’s Degree at St. Regis University is just \$895. (A listing of all Hoyer/Randock’s schools is attached). Fictitious or worthless accreditation is another integral building block of these Degree Mills.

These and other Degree Mills do not operate in a vacuum. These are professional operations, which take planning, preparation, and organization in order to run smoothly and maximize profits. [Note the education of its students is not mentioned because this is not their goal]. Their window dressing (camouflage) may include:

- A. A 3rd party academic consultant or referral entity
- B. An independent accreditation entity to accredit the Degree Mill
- C. The Degree Mill itself- can be a store front, mail drop, or rented office (or just “virtual”)
- D. A transcript/records storage/verification service—provides certified transcripts to graduates and verification of degrees to employers
- E. A 3rd party academic credential evaluation service...degrees from \_\_ are equivalent to \_\_. [Many employers have been fooled by this].

Thus, the public/business/government must not only beware of the Degree Mills which change their names almost daily, then we have the Accreditation Mills, Academic Consultants/Referral Entities, Transcripts Verification/Records Storage entities, and Credential Evaluation services—which support the Mills and are all tied in to the Degree Mills. When an organizational chart is prepared for a large Degree Mill, it probably resembles an octopus with its numerous tentacles.

Years ago, if a criminal had prayed for a way to reach the public without spending a fortune on postage; prayed for a means to get their catalogues into peoples hands without incurring great printing costs; prayed for an alternative to buying expensive

advertising in newspapers and magazines; and prayed for a way to run a business anonymously along with banking off-shore, electronically and privately, his prayers would be answered shortly.

Along came THE INTERNET. At no other time in the past 25 years have I observed such a boon to this type of white collar crime. The internet know no borders—our crooks are selling their worthless degrees to persons in other countries; conversely, their crooks are selling their worthless degrees to our citizens. Several times, our crooks have established their base of operation for their Degree Mills in foreign countries as a means of thwarting U.S. law enforcement agencies and regulators. The reverse is also true—last year I observed a Degree Mill whose web site showed the skylines of Jacksonville and Tampa, Florida, and they had a local Florida address (a mail drop). When I checked to determine where its operators were located, it was Hong Kong, China.

If the above (in conjunction with desk top publishing, cut and paste, etc.) is not enough to make you question all academic documents, then we have “lost replacement degree services” or “novelty documents” or “fake diplomas and transcripts” in the names of legitimate, accredited, traditional colleges and universities which are available via many web sites today for less than \$100. Anything and everything is available for sale on the internet today. Some of these sites are:

[www.diplomamasters.com](http://www.diplomamasters.com), [www.diplomaservices.com](http://www.diplomaservices.com),  
[www.diplomasforless.com](http://www.diplomasforless.com), and [www.diplomaville.com](http://www.diplomaville.com) (copies of these web sites are attached to this statement).

For the past ten years, detection and prosecution of Degree Mills has been on a catch-as-catch-can basis. There has been no concerted effort by any federal or state law enforcement agency to ferret out Degree Mills, prosecute their operators, and prosecute those persons who knowingly purchase and use these fictitious credentials. Yes, there were isolated instances where Degree Mills were investigated by the FBI and USPO and prosecuted [La Salle University in Louisiana-operated by James Kirk, and Columbia State University in Louisiana/California as operated by Ronald Pellar], only after numerous complaints had been filed by victims. Both La Salle University and Columbia State University, due to their advertisements in national publication, they were highly visible to all, (including law enforcement) especially with some of their advertised claims (a degree in 27 days, etc.). Ironically, Kirk (a “graduate” of one of my alma maters, Southeastern University) later operated two schools from his cell at a federal prison camp, whereas Pellar operated Columbia State University while he was a federal fugitive resulting from another court action. Kirk/LaSalle University grossed \$36.5 million and Pellar/Columbia State University grossed somewhere between \$20–72 million. But this is still pocket change when considered in the shadow of the “University Degree Program”.

By far, the largest and most sophisticated Degree Mill operation ever conducted “University Degree Program” probably grossed about \$435 million from 1998 though early 2003, when the Federal Trade Commission filed restraining orders in order to stop another smaller fraud (International Driving Permits) which were being sold by the same criminals, from the same boiler rooms, via the same computer addresses. This operation, run by Yacov Abraham, and relatives, of Boston, New York City, and Los Angeles, through two “boiler rooms” (telephone call centers) in Jerusalem and Bucharest, employed 45 people per shift (two shifts daily) in order to primarily call residents of the United States and Canada. This is the operation which caused millions of spam mails to be sent daily all over our country. The FTC had over 90,000 different spams from this operation. Generally, initial cost for the degree was \$2,400, less then \$500 “instant scholarship”, and then the bargaining began. The “graduation kit” included the diploma, transcript (with life long verification service), a sheet containing the appropriate telephone numbers for verification services, and two letters of recommendation from Professors you have never met nor spoken to. You could pay by check, credit card, wire transfer to their “accountant” in London or Cypress. They even accepted American Express, Master Card, Visa, etc. [Imagine, getting frequent flyer miles at the same time as your degree]. University Degree Program schools utilized accommodation addresses in Scotland, United Kingdom (London), The Netherlands, Switzerland, etc., with degrees drop shipped abroad and re-mailed in the Los Angeles area. This was a very sophisticated name/telephone number, knowing exactly where they were in the pitch when you were last contacted.

During this six year period, UDP sold degrees/transcripts on eighteen schools, then its employees began their own spin offs, which probably total about fifteen more and continue to this day. Many UDP employees probably thought, now that they had been trained on the operation, and it was so profitable (very little overhead since there is no campus, buildings, faculty, retirement accounts, etc.), and I can steal the boiler room scripts, why not start my own school-which they did. (Details

regarding all UDP schools and spin offs, is attached. Also attached is a listing of the degrees sold by UDP schools in the medical field). Where do you think these “graduates” who purchased degrees in medical fields are employed? Imagine a business which has two telephone marketing rooms, 45 employees each, two shifts per day—all selling degrees, transcripts, with verifications.

Ironically, since I still respond to spams, as I write this document, at 11:51AM on 9/21/04, I received a call from one Charles Baker, in New York State, telephone (917) 254-4102, who introduced himself as a Registrar representing Somerset University whose web site is located at [www.somersetuniversity.org](http://www.somersetuniversity.org). He stated they are an “international correspondence diploma program” which has been around since the 1980’s. In less than one minute, he found me qualified for my MBA degree (comes with a student identification number, certified transcripts, professor letters of recommendation, verification of degree details, and we agreed on a modest GPA of between 3.5–3.8 (magna cum laude). The date of the degree is of my choice. The entire package will be sent to me within 10–15 days via Federal Express—all for the modest cost of \$1,995. He pointed out I can not use this degree for transfer purposes (although many have tried), but this is designed for “professional purposes, to get pay raises, and promotions”. He is sending me an e mail to confirm what I will get for my money and will call back in 30 minutes to see which credit card I want to use. [This sounds like a UDP clone to me].

There are 2,567 unrecognized schools (many of which are Degree Mills) and 202 unrecognized accreditors (some are operated by the same persons as the Degree Mills). Thus it is easy for the operators of Degree mills to “blend in”.

*Staff has asked what I have done to ensure Degree Mills do not proliferate.*

As an FBI Agent, for an eleven year period, I identified as many Degree Mills as possible, thereafter “making cases” on these entities and their operators, resulting in their indictment, arrest, and conviction. The side benefit was the closure of the Degree Mill. In not a single instance did the Degree Mill survive the arrest and conviction of its principals. Education Fraud was never an investigative priority of the FBI. In fact, the Charlotte FBI office took some heat from FBI Headquarters for all its work on Degree Mills. After my retirement and the ending of DIPSCAM, the FBI made no organized effort in this arena. As if this was not bad enough, The Internet was now world wide and the Degree Mill operators quickly realized its potential and its world wide market.

After retiring from the FBI, I have continued to stay abreast of Degree Mill comings and goings by responding to advertisements and spams, like I mentioned above. It is only in this way one will know—what is being sold, by whom, and for how much.” I have written several articles on the subject, and have made presentations to both government agencies, educational groups, and to law enforcement. I have consulted with prosecuting and defense attorneys, and have consulted with federal prosecutors in the area, and attended Senator Collins two day hearings in May, 2004.

Dr. John Bear and I have written a reference book on this subject, titled “Degree Mills” which is being published by Prometheus Books. This book will be available in January, 2005. We have also established a web site, [www.DegreeMills.com](http://www.DegreeMills.com) which will be operational shortly as a means to keeping people up to date on what’s happening in the world of Degree Mills. Additionally, we are part of a network of like minded professions in this area. Further, Dr. Bear and I have associated ourselves with the Commercial Services Division of U.S. Investigations service in order to maintain and update their comprehensive Degree Mill data base.

*Staff has also asked what can be done to identify why Degree Mills are a problem.*

In my opinion, Degree Mills are a problem because they:

- Damage by misunderstanding—similar to counterfeit currency, if I can no longer trust the currency I am given, then its value diminishes. If I can’t trust the educational credentials I am presented, then they are worthless.
- Devalue earned degree (look-a-likes and sound-a-likes). I have previously purchased counterfeit diplomas from both of my daughter’s alma maters (University of North Carolina and University of Florida). These were exact replicas, except the signatures were incorrect for my graduation date. Agreed, I did not have transcripts, but those were available to me elsewhere. I realize you will never be able to take away the education my daughter’s received, however, when counterfeit degrees of our legitimate, regionally accredited, traditional universities are available for sale via the internet, this can do nothing but take some of the glitter off the real earned degree.
- I have also seen instances where the criminal deliberately established his internet based school in the exact name as a legitimate university two thousand



miles away. I recall the Western Washington State University which was being operated from Norcross, Georgia, and designed for students to believe this was the legitimate Western Washington State University in Wellingham, Washington.

- Confuse the public—I recall the United States University of America, ostensibly located at an address on Wisconsin Avenue in Washington, D.C. In reality, the address it used was the physical address of the United States Post Office building on Wisconsin Avenue, where its post office box was located. They also used the address of the Sincerely Yours Answering Service. Needless to say, the school colors were red, white, and blue. This school targeted foreign students who mistakenly presumed this university to be government approved/sponsored based on its name and address in Washington, D.C. [In reality, its operator was located in Palatka, Florida, before he later fled the United States to avoid arrest].
- Defraud “students”—Many Degree Mills have excellent web sites, quality multi-colored publications, use all the right buzz words, portray a distinguished faculty, pictures of grand buildings (some are in reality national historic sites, public buildings, etc.), and some even offer a “virtual tour”. All this, in addition to its “accreditation”. Many even pirate their text from the web sites of legitimate colleges and universities. These are criminal operations, run by slick folds and are designed to deceive its potential students. Depending on the sophistication of the Degree Mill, it can be easy to fall victim, without truly knowing it is in fact a Degree Mill.
- Deceive employers, customers, clients, patients—Remember the Degree Mill is established to sell you the diploma with the backup verification of the degree awarded. The heart of its hustle is the verification it provides you later for the new job, promotion, etc. Not only will they provide you verification, they will provide you with letters of recommendation from several professors. [You would have had a hard time meeting these Professors in view they did not exist.]. Sometimes, we find the same professors at numerous schools.
- Lower prestige abroad—see all the above

*Staff has also asked what safeguards and strategies can be developed to ensure that consumers, state governments, and the federal government are protected against fraudulent degrees and institutions.*

- Encourage the Department of Education (which held its “Diploma Mill Summit” on 1/15/04) to develop and publish on the internet, a web based listing of legitimate (accredited) colleges and universities in the United States. Once published, publicize the fact this list exists. In this manner, a potential student will not have to dig for the information, but can immediately locate this list.
- Encourage all states to develop educational statutes similar to or identical to the State of Oregon and the resulting State of Oregon, Office of Degree Authorization ([www.osac.state.or.us/oda](http://www.osac.state.or.us/oda)). The ODA maintains a web site on which all aspects of the Oregon education statutes are detailed, along with a list of illegal degrees in Oregon for which persons using same as academic credentials in Oregon can be arrested. Also listed are unaccredited colleges whose degrees are approved by ODA for use in Oregon (mainly Bible schools). (A copy of the Oregon statutes and the ODA web site along with its illegal schools list is attached).
- We do not need any new federal statutes. The Fraud by Wire, Mail Fraud, Computer Fraud, Conspiracy, Money Laundering, and Aiding and Abetting statutes will do the job if someone applies them. Degree Mills can be stopped, if only someone wants to. Request the FBI or U.S. Postal Service to assign one investigator to work on Educational Fraud exclusively. Let them respond to some advertisements, purchase some degrees and transcripts, do some undercover work, execute several search warrants, seize assets, obtain indictments and make some arrests. I guarantee you the word will get out immediately in this small tightly knit community of Degree Mill operators. Normally, they all keep up with their competition.
- Remember the basics of Supply and Demand. If we decrease the value of the bought degree and transcript, then correspondingly, we will dry up the production (supply) side. If both state and federal authorities prosecute the most egregious users of the Degree Mill paper, and at the same time arrest and close down the Degree Mill operators, we will thus achieve our desired objective. If no one wants the papers, then no one will want to produce the paper, since it won't sell.
- The Federal Government needs to be consistent in all its handling of federal employees using Degree Mill degrees. I was appalled that the official at the De-

partment of Homeland Security was hung out to dry after a 19+ year career for her possession of degrees from Hamilton University, especially when you consider the position she held had no education qualification. She is not “street wise”, had heard of Degree Mills but not accreditation mills, and did not know it was a degree mill. She obtained these degrees over a several year period with her own funds-no federal money involved. In my opinion, her agency (the then new Department of Homeland Security) was gun shy after all the publicity this received in the Washington, D.C. press, then took the easy way out by rescinding her security clearance, and showing her the door, resulting in her later resignation. Possession of a Degree Mill diploma is not itself grounds for revocation of a security clearance. When I was employed by the FBI, no one came to me to rescind my clearance because I was purchasing various degrees. Thus, she became the “poster child” for government employees with Degree Mill paper, even though many, many, more federal employee have been exposed with the same type degrees (and some even used federal funds and their jobs had an education requirement), and they are still employed. I see no consistency in this application.

- What has happened to: Charlie Abell, Deputy Under Secretary of Defense—Procurement and Readiness (Columbus University); Jimmy Shirl Parker, Chief Information Officer, Federal Technology Service, General Services Administration (California Coast University); Daniel P. Matthews, Chief Information Officer, Transportation Department (Kent College) and many, many others.

As in the private sector, you lead by example, you must have one set of rules, consistently and evenly applied to everyone. From my point of view as an outsider, I do not see this happening in Washington, D.C. I do wonder why these other high ranking government officials are still in their positions, why their security clearances were not revoked, and them not shown the door within days of their degrees coming to light. If there is a double standard being applied, then this is unjust and our government can do better. This is not the example we want to set for the rest of the nation.

The U.S. Senate (and GAO investigators) should finish what they started. The other 98% of the federal government should have degree audits also conducted by the GAO to determine the use of Degree Mill paper by federal employees and exactly how much the federal government has paid for these degrees. We all know they have not yet even scratched the surface.

I attended both days of the Degree Mill hearings chaired by Senator Collins and Congressman Tom Davis. I applaud them for these hearings, the first since 1984. What was missing both days, was anyone from federal law enforcement. Not only were they not there as witnesses, nor appeared to be in the audience, but no Senator/Congressman/witness, even asked the question, Why did law enforcement let the problem get this big? and What are they going to do about it? There was not even talk of turning over the results of their investigation to the FBI, USPO, etc., nor of having a Federal Grand Jury impaneled to force those schools which refused to cooperate with the Committee to identify their federal employee “graduates”. It was obvious to me this main piece of the puzzle was missing.

Further, since these hearings, and the expose of all these federal employees, were outside of Washington, have neither seen nor heard of any action being taken by the Inspector General on all these federal employees. It makes one wonder if anything is really happening?

Be alert, because we are watching, and we do care.

Thank you for allowing me to appear today and I will answer any questions you may have.

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[Attachments to Mr. Ezell’s statement have been retained in the Committee’s official files.]

Chairman MCKEON. Thank you very much. Ms. Morse?

**STATEMENT OF JEAN AVNET MORSE, EXECUTIVE DIRECTOR,  
MIDDLE STATES COMMISSION ON HIGHER EDUCATION,  
PHILADELPHIA, PA**

Ms. MORSE. Mr. Chairman, members of the Committee, thank you very much for the opportunity to testify about the role of regional accreditors in protecting the public against degree mills.

I am the executive director of the Middle States Commission on Higher Education. I am here testifying on behalf of CRAC, which is the national organization of all regional accreditors. We accredit over 3,000 colleges and universities, everything ranging from community colleges through large research universities, and those colleges are attended by over 16 million students.

There are other kinds of accreditors that are recognized by the U.S. Department of Education. Specialized accreditors, they look at programs like law or medicine. And national creditors tend to be specialized.

The three points that I would like to cover from my written testimony are how difficult it would be for a degree mill to become regionally accredited, what we do to protect the public, and what more could be done.

With respect to the quality of regional accreditation, we review every school individually. You need only ask our institutions, and they will tell you how very intrusive we can be. We have very high standards, and they include standards on things such as integrity and student learning.

It is not easy to become accredited in the first place. It's usually a 5-year process with multiple visits and reports. We have a very high drop-out rate of institutions that have invested years in the process, and finally decide that they are just not going to make it.

Once you become accredited, it is not, contrary to popular belief, a matter of being looked at every 10 years. Whenever something comes up, we look into it immediately. Whenever there is what we call a substantive change—which includes, for example, new distance learning programs—we review those in advance.

In Middle States, we have 50 percent rate of asking for follow-up when we take an accreditation action. That means more reports, more visits. And in addition to that, we have normal requirements that apply to everybody: annual reports; 5-year reports; 10-year reports. And we have a very large range of actions that we can take. We like to say that we are in the business of saving souls and not punishing sinners.

We, ourselves, are very highly regulated by the Department of Education. At least every 5 years we are reviewed, we submit extensive documentation. We are reviewed by staff, we appear before a committee, and we must comply with very extensive regulations from the Department of Education that include not only our processes, but also—and our resources—but also the substance of what our standards must be.

I would like to address the gray area that you referred to. There—I think that one of the things that regional accreditation can do very well is look at the institutions that really are providing open access to a part of our population which wants access to higher education. And that access tends to be offered through the innovative kinds of delivery methods such as distance learning, accelerated programs, continuing education.

And because we can look at those institutions on a one-by-one basis over a period of several years with lots of experts—we have thousands of experts—we really are able to separate the wheat from the chaff.

In terms of what we do to protect the public, we do a lot of disclosure of which institutions are accredited. It is true that there are some very fine institutions that are not accredited, so this doesn't cover everything. But the ones that are accredited usually have been through a very complicated process.

We have a website that posts not only the institutions that we accredit, but it links to other websites and it gives a lot of information. It shows information about the institution, its accreditation history, problems that it has had in the past, what has happened about those problems.

We also respond to all complaints that we receive from students, faculty, anyone from the public. More could be done. There is a list of 6,000 accredited institutions that was prepared by ACE and submitted to the Department of Education. That could be broadly publicized. Those are the accredited institutions by all sorts of accreditors that are recognized by the Department of Education.

It would be wonderful for regional accreditation if the state licensing requirements were strengthened. We do require that an institution must be operating legally, but that covers a wide range of states, some of whom have very low requirements of what it takes to operate legally.

Existing laws on the books could be enforced, not only federally, but also state, local. And the new laws could be passed. Oregon has passed a law making the use of fake degrees illegal.

There could be a list of degree mills. I would think that the people who are doing the finger pointing would want to have some sort of protection against being sued for libel by degree mills with deep pockets.

And finally, the FTC has the ability to regulate the term "accredited." Thank you again for the opportunity to testify.

[The prepared statement of Ms. Morse follows:]

**Statement of Jean Avnet Morse, Executive Director, Middle States Commission on Higher Education on behalf of the Council of Regional Accrediting Commissions (CRAC)**

Mr. Chairman and Members of the Committee, I appreciate the opportunity to be here today to discuss the role of regional institutional accreditation in protecting the public against "diploma mills."

***THE ROLE OF REGIONAL AND OTHER ACCREDITORS***

I head the Middle States Commission on Higher Education of the Middle States Association. The Commission has a membership of approximately 500 colleges and universities located in Delaware, Maryland, New Jersey, New York, Pennsylvania, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

I am testifying on behalf of the Council of Regional Accrediting Commissions, known as CRAC. It includes the seven U.S. regional accreditors that accredit over 3,000 institutions enrolling over 16,000,000 students. Regional accrediting agencies have assured the quality of higher education in the United States for over 100 years, providing self-regulation and shared assistance for improving education. For the past 50 years, these agencies have also served a unique role: when an agency is "recognized" by the U.S. Department of Education, the students of institutions accredited by that agency are eligible for federal grants and loans under Title IV of the Higher Education Act.

There are other types of accreditors. Regional accreditors accredit entire institutions of all types, from community colleges through large research universities that are in their region. Specialized accreditors accredit specific programs, such as law or medicine. National accreditors usually accredit institutions of certain types. All three can be "recognized" by the U.S. Department of Education as Title IV "gatekeepers" and by the Council on Higher Education Accreditation, a private organiza-

tion. There are also accreditors that are not recognized, either because they do not apply or do not meet the applicable requirements.

Regional accreditors are concerned about this issue and would support the efforts of the Congress, the U.S. Department of Education, state and federal enforcement agencies and others in addressing the problem.

#### *DIPLOMA MILLS: WHAT ARE THEY AND WHOM DO THEY AFFECT?*

Diploma mills are a growing problem. They affect students and employers in the U.S. and abroad. Setting up attractive websites is an easy lure. A 2002 study by the GAO documented that the federal government had hired applicants from degree mills and had paid for courses at degree mills for its employees.

According to some estimates, there are over 300 unaccredited universities operating, selling degrees for thousands of dollars, awarding as many as 500 Ph.D.s every month, and earning in the aggregate \$200,000,000 per year. [John Bear, "Diploma Mills" University Business, March 2000]

Holders of fake degrees most frequently serve as teachers, police officers, counselors, medical administrators, expert witnesses and business managers. [Alan Contreras, testimony to Senate Committee on Governmental Affairs, May 2004]

It is helpful to consider the different types of diploma mills, because they can be dealt with differently. The term has been applied to:

- Diplomas granted with no work by the student
- Diplomas granted without sufficient college-level course work that is normally required for a degree
- Good quality diplomas granted by institutions that are not accredited by a legitimate accreditor, so that it is difficult for the public to determine their quality. They may or may not be diploma mills.
- All on-line or other non-traditional degrees, regardless of whether they are granted by institutions accredited by legitimate accreditors, are sometimes labeled "diploma mills." As discussed later, this is unfair to excellent institutions that deliver quality education through non-traditional means.

#### *REGIONAL ACCREDITORS HAVE ASSURED THE QUALITY OF ACCREDITED INSTITUTIONS OF ALL TYPES*

Regional accreditors can bring to the problem over 100 years' experience in defining quality education, applying standards by using qualified peer reviewers, and changing as higher education has changed.

Regional accreditors have succeeded in assuring quality:

- We are experienced in applying standards to distance education, accelerated learning, proprietary institutions, and other "non-traditional" types of higher education. This is important because a few "bad apple" distance learning and other non-traditional providers may create the impression that none are good. In fact, many of the most innovative, practical, accessible, and effective providers are non-traditional, and it is important to use a quality control system that recognizes them. For example, Middle States accredits an institution that offers distance education to our troops here and abroad.
- I think it is fair to say that no diploma mills are accredited by one of the seven U.S. regional accreditors because of our high standards and careful processes. This is recognized by employers such as the federal government and others that require a degree from an accredited institution as a condition of employment. It is safe to say that diploma mills arise from that subset of institutions that are not accredited by a U.S. Department of Education-recognized accrediting agency, but it is not accurate to say that all unaccredited institutions are diploma mills. To identify which institutions are diploma mills, each unaccredited institution would need to be examined individually.

#### *HOW REGIONAL ACCREDITORS HAVE ADDRESSED DIPLOMA MILLS*

Some of the ways that regional accreditation helps to prevent diploma mills include:

- Requiring all institutions to meet the high standards described later that would not be satisfied by a degree mill. This applies whether an institution is a community college or a large research university, whether its students are adults in continuing education programs or eighteen year-olds living on campus, and whether it delivers courses on-line or in accelerated format.
- Granting initial accreditation only to institutions that have been reviewed and visited multiple times by staff, by peers such as professors and presidents, and by consultants. Eligibility requirements include a legal charter to operate and grant degrees; approval of profiles and academic qualifications of all full-time, part-time and adjunct instructional staff; and review of all educational programs.

- Monitoring already accredited institutions regularly and following up on any problem areas.
- Publicizing the list of which institutions are accredited by regional accreditors, including on-line listings that are linked to other sources.
- Providing information to the general public about each accredited institution, including its history of accreditation actions. These actions may have required it to submit special reports or take other actions in specified areas such as finances or assessment of student learning.
- Considering all complaints about accredited institutions received from students, faculty, or others.
- Answering inquiries (which are frequent) about whether a specific institution is accredited, and by whom.
- Writing articles and giving presentations.

General “warning signs” of possible diploma mills have been published by the Council of Higher Education Accreditation. CHEA has also suggested general warning signs to identify the fake accreditors (“accreditation mills”) which allow an institution to say that it is accredited, even though its accreditor may not be reputable.

#### *STANDARDS THAT ACCREDITED INSTITUTIONS MUST MEET*

All regionally accredited institutions must prove that they meet all of an accreditor’s standards. These standards include:

- integrity: this is a separate and very important accreditation standard; any violation can lead to disciplinary action
- education for all students in oral and written communication, scientific and quantitative reasoning, critical analysis and reasoning, technological competency, and information literacy
- assessment of the institution’s effectiveness and efficiency in light of its own mission
- assessment of student learning
- student support services
- admissions policies with full disclosure and appropriate standards
- a curriculum with appropriate levels and coordination
- long term planning linked to budgeting
- financial data showing capacity to continue operations at an appropriate level
- resources for learning appropriate to that institution, such as information technology, library, and buildings
- appropriate governance structure
- qualified faculty and administrators, and
- evidence of long term strategic planning linked to assessment and budgeting.

#### *CONTINUOUS MONITORING OF INSTITUTIONS*

These standards are applied at many times. Accreditation is not just periodic reporting for compliance. It is a continuous process that emphasizes the institution’s capacity and plans for growth and improvement. This allows each institution to develop its own areas of expertise with help from the expert academics who consult with the institution about its processes and plans.

#### *APPLICANT/CANDIDATE*

It is extremely difficult to become accredited. This is one reason why institutions that are finally accredited do not lose accreditation immediately—they are already excellent institutions.

In order for a new institution to be accredited, it usually spends five years in pre-accreditation status. During this time, it is visited by consultants, staff, and teams of professional educators. The Commission must vote first to allow the institution to become a candidate, and then to grant it accreditation.

It is common for institutions to decide not to apply for accreditation once they understand the standards, or to withdraw from the process in order to avoid what they expect will be a negative decision. Even after it is accredited, the institution must submit its first full self-study within a shorter time period than accredited institutions.

#### *SUBSTANTIVE CHANGES*

The Commission reviews in advance certain “substantive changes” introduced by an institution, such as the introduction of a new degree level, offering new programs in distance learning, or opening branch campuses. Institutions are required to have prior approval before implementing these changes. Changes that are implemented but are not approved may endanger the accreditation of the entire institution.

### *FOLLOW-UP REPORTING AND VISITS*

The accreditors monitor quality on an ongoing basis, using annual reports, news accounts, information provided by other accreditors or the U.S. Department of Education, complaints from students or other information to assure that an institution continues to meet accreditation standards. At any time, the Commission may impose on an institution requirements that it submit reports, have teams visit the institution, or even show cause why its accreditation should not be removed.

In Middle States, approximately 50% of institutions reviewed are asked for some type of follow-up. This means that institutions with problems are continuously monitored until the problem is solved.

### *ANNUAL REPORTING*

All accredited institutions submit information annually. Such information includes financial data, as well as information on enrollment, graduation rates, faculty, and other areas.

### *FIVE YEAR COMPREHENSIVE REVIEW*

In Middle States, an extensive report is submitted every five years. It must cover deficiencies noted during the previous comprehensive team evaluation, student learning, planning, and other areas. It is reviewed by the Commission, and the Commission votes on whether to continue accreditation, with or without conditions. Other regional accreditors require a similar review at the midterm of the comprehensive accreditation cycle.

### *COMPREHENSIVE REVIEW AND TEAM VISIT*

Every 10 years in the Middle States Commission's region (commissions vary in the periodicity of their comprehensive review from six to 10 years), an accredited institution spends two years gathering together all of its constituents to review itself in light of the Commission's accreditation standards, and to determine what it should do to grow and improve, in addition to simply complying or minimally meeting accreditation standards. This process of self-review is called "self study."

A team of peers such as professors and college presidents visits the campus to review the self-study, to comment on the institution's plans, and to determine compliance with accreditation standards.

### *DISCIPLINARY ACTIONS*

Institutions with serious problems may be placed on warning, probation, or "show cause." Failure to cure the problems can result in removal of accreditation. Most commonly, problems are caught early and are corrected before this is necessary.

### *FEDERAL REGULATION OF REGIONAL ACCREDITORS*

Under the Higher Education Act and regulations promulgated by the U.S. Department of Education to implement the Act, accrediting agencies must be recognized by the U.S. Secretary of Education of the Department after review by the National Advisory Committee on Institutional Quality and Integrity (NACIQI) in order to qualify as "gatekeepers" for funding under Title IV. Such recognition enables the students of institutions accredited by the gatekeeping accreditor to receive certain federal loans and grants.

The Department reviews regional accreditors at least every five years. The accreditor submits a petition that is reviewed by an assigned member of the U.S. Department of Education. The accreditor has an opportunity to respond to the Department's analysis, and also to present its case at a NACIQI hearing. The NACIQI recommendation to the Secretary is based on the agency's petition, its interview, the staff analysis, and any third party comments and agency rebuttals.

In order to be recognized, the regional accreditor must demonstrate compliance with federal regulations, a few of which are that the accreditor:

- has standards that are widely accepted in the U.S. by educators, licensing bodies, employers, practitioners, and others
- has accreditation as its principal purpose
- has voluntary members
- is not controlled by another body
- has the administrative and fiscal capability to carry out its activities
- uses qualified persons, including public members
- has controls against conflicts of interest
- maintains records
- has standards for accreditation that address the areas described earlier, including "success with respect to student achievement"

- has effective mechanisms to evaluate whether an institution complies with its standards, including requiring the institution to undergo the “self-study” process described earlier
- conducts on-site reviews
- demonstrates consistency in its decisions
- reviews its standards periodically
- maintains appropriate operating procedures
- monitors substantive changes such as branch campuses, changes in ownership, and teach-out agreements
- gives appropriate notification of its decisions, and
- does not accredit institutions that lack legal authority or is in disciplinary proceedings by a state or another accreditor.

#### *POSSIBLE APPROACHES TO CONTROLLING DIPLOMA MILLS*

Past attempts to prevent diploma mills, additional suggestions made to the Senate Committee on Governmental Affairs in May 2004, and suggestions from C–RAC offer possible approaches:

A national listing of all institutions that have been approved by an accrediting agency recognized by the U.S. Department of Education on a public website would provide a simple, straightforward way for the public to determine whether or not an institution has been the subject of a comprehensive outside review of its academic programs. Usually only serious legitimate institutions will go through the trouble of being accredited by an agency approved by the U.S. Secretary of Education.

As noted earlier, each regional accreditor publishes on-line a list of all of the institutions that it accredits, together with information about the institution and its accreditation history. These sites are linked to each other, and through the Council of Higher Education Accreditation’s listings. The websites of the regional accreditors receive frequent “hits” on the directory listings.

A national list of all of the 6,200 schools that are accredited by one of the approximately 40 regional, specialized, and national accrediting agencies that the Secretary recognizes was recently given by The American Council on Education to the Department of Education to enable federal agencies to identify legitimate colleges, universities and trade schools when federal employees seek to enroll in taxpayer funded education and training.

Such a national list might have a much broader use if it were publicized widely and accessibly. It might link to the websites of regional accreditors for additional information on the accreditation history of the institution. Congress and the Department might look into ways to make such a list widely available.

The FBI initiative of the 1980s by agent Allen Ezell in closing down several degree mills could be renewed. Evidence from the IRS and postal service was often useful.

States can prosecute fraud and can pass special legislation. According to Alan Contreras, Oregon law requires users of fake or substandard degrees to cease using them. The law applies to any employment within the state, regardless of the location of the employer. Both the institution and students who knowingly use a fake degree may be liable.

State licensing requirements could be raised and coordinated. They vary enormously, and states with more lax requirements are used by diploma mills to obtain their charters to grant diplomas.

The FTC is authorized to regulate the use of the word “accredited.”

Protection against litigation by diploma mills is needed. This is a serious problem for those who have identified specific institutions as diploma mills or have refused to accept their degrees as qualifications for employment, and have been forced to defend themselves in expensive litigation.

Advertising boycotts by legitimate institutions against media that advertise degree mills has been suggested by John Bear.

Mr. Contreras has suggested that the U.S. Department of Education establish standards for use of degrees as credentials for employment that require degrees to be from: a U.S. institution accredited by a federally recognized accreditor; a U.S. institution approved by USDE; or a foreign institution found by USDE to use similar standards. The Oregon standards address faculty qualifications, program length, content of curriculum, requirements for the award of credit, and admissions standards. Additional standards would apply to foreign providers.

One suggestion discussed has been to require the U.S. Department of Education to maintain a list of diploma mills.

There are also private websites that list degree mills, but these are voluntary and informal.



The above suggestions would assist in determining the quality of alleged diploma mills. Thank you for the opportunity to discuss these issues. I would be happy to answer any questions you have.

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Chairman MCKEON. Thank you very much. Mr. Cramer?

**STATEMENT OF ROBERT CRAMER, MANAGING DIRECTOR, OFFICE OF SPECIAL INVESTIGATIONS, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC**

Mr. CRAMER. Mr. Chairman and members of the Subcommittee, I am pleased to be here today to discuss work that the office of special investigations at GAO has performed related to issues from—related to degrees from diploma mills.

For purposes of this overview, we define diploma mills as non-traditional, unaccredited post-secondary schools that offer degrees for a relatively low flat fee, promote the award of academic credits based on life experience, and do not require any classroom instruction.

Over the past 3 years, OSI has purchased degrees from a diploma mill, through the Internet, created a diploma mill in the form of a fictitious foreign school, investigated whether the Federal Government has paid for degrees from diploma mills for Federal employees, and determined whether high-level Federal employees at certain agencies have degrees from diploma mills. My testimony will summarize this work.

First, we purchased two degrees from a diploma mill through the Internet. After identifying “Degrees-R-Us” as a diploma mill, our investigator held numerous discussions with its owner.

Posing as a prospective student, the investigator bought a bachelor of science degree in biology and a master of science degree in medical technology. The degrees were awarded by Lexington University, an institution purportedly located in Middletown, New York, that doesn’t exist. We paid Degrees-R-Us \$1,515 for a premium package. The package included two degrees with honors, and a telephone verification service that could be used by potential employers verifying the award of the degrees.

We also created a diploma mill. We created a fictitious graduate-level foreign school purportedly located in London, England. We created a website and set up a telephone number and a post office box address for our school. We created a catalog, and on your right are a couple of pages from the catalog that we created.

Using counterfeit documents, we obtained certification from the Department of Education for the school to participate in the Federal Student Financial Assistance Program. The Department of Education has since taken steps—it has reported to us to guard against the vulnerabilities that our investigation revealed.

We also conducted an investigation to determine whether the Federal Government has paid for degrees from diploma mills for Federal employees. Initially purporting to be a prospective student who works for a Federal agency, our investigator placed calls to three schools that award academic credits based on life experience, and required no classroom instruction.

These schools charge, again, a flat fee. For example, one school charges \$2,295 for a bachelor's, \$2,395 for a master's, and \$2,595 for a Ph.D.

Representatives of the three schools emphasize that they are not in the business of providing individual courses or training, and do not permit students to enroll for individual courses. Instead, these schools market and require payment for degrees on a flat fee basis.

However, the representatives of each of these schools told our investigator that they would structure their charges to facilitate payment for the degrees by the Federal Government. Each agreed to divide the degree fee by the required—the number of required courses, thereby creating a series of payments, as if a per course fee were being charged.

All of the representatives we spoke to stated that students at their respective schools had received reimbursement or payment by the Federal Government.

We requested that four such schools provide information on the number of students identified in their records as Federal employees, and we asked three Federal agencies to examine their records to determine if they had made payments to diploma mills.

Only two schools gave us the records that we asked for. Those records, with the records we obtained from just two Federal agencies, showed total Federal payments of nearly \$170,000 to two unaccredited schools by two Federal agencies. And a comparison of the data from the schools and the agencies indicates that that understates the amount of money that the Federal Government has paid.

For example, one of the schools, Kennedy Western, reported total payments of \$13,500 from the Energy Department for three students. Energy reported, however, total payments of \$14,500 to Kennedy Western for three students, but for three different students. So, Energy made payments, we know, of at least \$28,000 to Kennedy Western.

I will quickly finish up. We looked into the question of whether senior level Federal employees have degrees from diploma mills. The answer is that some do. And we conducted interviews of some Federal employees who reported receiving degrees from unaccredited schools. These included three management level Department of Energy employees who have two-level security clearances, and emergency operations responsibilities at the National Nuclear Security Administration.

In conclusion, diploma mills are easy to create, and the records we obtained from schools and the agencies likely understate both the extent to which the Federal Government has paid for degrees from diploma mills, and the true extent to which senior Federal level employees have diploma mill degrees.

I will be happy to answer any questions that any of you may have.

[The prepared statement of Mr. Cramer follows:]

**Statement of Robert J. Cramer, Managing Director, Office of Special Investigations, U.S. Government Accountability Office, Washington, DCMr. Chairman and Members of the Subcommittee:**

I am pleased to be here today to discuss work performed by GAO's Office of Special Investigations (OSI) related to degrees from "diploma mills." For purposes of

this overview, we defined “diploma mills” as nontraditional, unaccredited, postsecondary schools that offer degrees for a relatively low flat fee, promote the award of academic credits based on life experience, and do not require any classroom instruction. Over the past 3 years, OSI has purchased degrees from a diploma mill through the Internet, created a diploma mill in the form of a fictitious foreign school, investigated whether the federal government has paid for degrees from diploma mills for federal employees, and determined whether high-level federal employees at certain agencies have degrees from diploma mills. My testimony today summarizes our investigative findings.

#### *Purchasing Degrees from a Diploma Mill*

In response to a request from the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, OSI purchased two degrees from a diploma mill through the Internet. After identifying “Degrees–R–Us” as a diploma mill, our investigator held numerous discussions in an undercover capacity with its owner. Posing as a prospective student, the investigator first contacted Degrees–R–Us to obtain information regarding the steps to follow in purchasing degrees. Following those instructions, we purchased a Bachelor of Science degree in Biology and a Master of Science degree in Medical Technology. The degrees were awarded by Lexington University, a nonexistent institution purportedly located in Middletown, New York. We provided Degrees–R–Us with references that were never contacted and paid a \$1,515 fee for a “premium package.” The package included the two degrees with honors and a telephone verification service that could be used by potential employers verifying the award of the degrees.

#### *Creating a Diploma Mill*

OSI also created a diploma mill to test vulnerabilities in the Federal Family Education Loan Program (FFEL). We created Y Hica Institute for the Visual Arts, a fictitious graduate-level foreign school purportedly located in London, England. We first created a bogus consulting firm that posed as Y Hica’s U.S. representative and the principal point of contact with the Department of Education (Education). In addition, we created a Web site and set up a telephone number and a post office box address for Y Hica. Using counterfeit documents, we obtained certification from Education for the school to participate in the FFEL program. Education has since reported that it has taken steps to guard against the vulnerabilities that were revealed by our investigation.

#### *Investigating Whether the Federal Government Has Paid for Degrees from Diploma Mills*

The Homeland Security Act amended section 4107 of title 5, U.S. Code, by allowing federal reimbursement only for degrees from accredited institutions. Specifically, section 4107 states that an agency may “pay or reimburse the costs of academic degree training—if such training—is accredited and is provided by a college or university that is accredited by a nationally recognized body.” (Emphasis supplied.) For purposes of this provision, a “nationally recognized body” is a regional, national, or international accrediting organization recognized by Education.<sup>1</sup> Because the law governs only academic degree training, it does not preclude an agency from paying for the costs of individual training courses offered by unaccredited institutions. Prior to the enactment of the Homeland Security Act, federal agencies were not authorized to pay for employee academic degree training unless the head of the agency determined that it was necessary to assist in recruitment or retention of employees in occupations in which the government had a shortage of qualified personnel.

To investigate whether the federal government has paid for degrees from diploma mills, we requested that four such schools provide information concerning (1) the number of current and former students identified in their records as federal employees and (2) the payment of fees for such employees by the federal government. In addition, posing as a prospective student who was employed by a federal agency, our investigator contacted three diploma mills to obtain information on how he might have a federal agency pay for a degree. We also requested that eight federal agencies—the Departments of Education, Energy (DOE), Health and Human Services (HHS), Homeland Security (DHS), Transportation (DOT), and Veterans Affairs (VA); the Small Business Administration (SBA), and the Office of Personnel Management (OPM) provide us with a list of senior employees, level GS–15 (or equivalent) or higher, and the names of any postsecondary institutions from which such employees had reported receiving degrees. We compared the names of the schools on the lists provided by these agencies with those that are accredited by accrediting

<sup>1</sup> 5 C.F.R. § 410.308(b).

bodies recognized by Education. We also requested that the agencies examine their financial records to determine if they had paid for degrees from unaccredited schools.

Several factors make it extremely difficult, if not impossible, to determine the extent of unauthorized federal payments for degrees issued by diploma mills. First, the data we received from both schools and federal agencies understate the extent to which the federal government has made such payments. Additionally, the way some agencies maintain records of payments for employee education makes such information inaccessible. For example, HHS responded to our request for records of employee education payments by informing us that it could not produce them because it maintains a large volume of such records in five different accounting systems, has no way to differentiate academic degree training from other training, and does not know whether payments for training made through credit cards are captured in its training payment records.

Moreover, diploma mills and other unaccredited schools modify their billing practices so students can obtain payments for degrees by the federal government. Purporting to be a prospective student, our investigator placed telephone calls to three schools that award academic credits based on life experience and require no classroom instruction: Barrington University (Mobile, Alabama); Lacrosse University (Bay St. Louis, Mississippi); and Pacific Western University (Los Angeles, California). These schools each charge a flat fee for a degree. For example, fees for degrees for domestic students at Pacific Western University are as follows: Bachelor of Science (\$2,295); Master's Degree in Business Administration (\$2,395); and PhD (\$2,595). School representatives emphasized to our undercover investigator that they are not in the business of providing, and do not permit students to enroll for, individual courses or training. Instead, the schools market and require payment for degrees on a flat-fee basis.

However, representatives of each school told our undercover investigator that they would structure their charges in order to facilitate payment by the federal government. Each agreed to divide the degree fee by the number of courses a student was required to take, thereby creating a series of payments as if a per course fee were charged. All of the school representatives stated that students at their respective schools had secured payment for their degrees by the federal government.

Information we obtained from two unaccredited schools confirms that the federal government has paid for degrees at those schools. We asked four such schools that charge a flat fee for degrees to provide records of federal payments for student fees: California Coast University (Santa Ana, California); Hamilton University (Evanston, Wyoming); Pacific Western University (Los Angeles, California); and Kennedy-Western University (Thousand Oaks, California).

Pacific Western University, California Coast University, and Kennedy-Western University provided data indicating that 463 of their students were federal employees. Pacific Western University reported that it could not locate any records indicating that federal payments were made, although this claim directly contradicts representations made to our undercover investigator by a school representative that federal agencies had paid for degrees obtained by Pacific Western University students. California Coast University and Kennedy-Western University provided records indicating that they had received \$150,387.80 from federal agencies for 14 California Coast University students and 50 Kennedy-Western University students. Hamilton University failed to respond to our request for information.

After identifying from school records the federal agencies that made payments to California Coast and Kennedy-Western, we requested that DOE, HHS, and DOT provide records of their education-related payments to schools for employees during the last 5 years. As previously discussed, HHS advised us that it could not provide the data. DOE and DOT provided data that identified additional payments of \$19,082.94 for expenses associated with Kennedy-Western, which Kennedy-Western had not previously identified for us. Thus, we found a total of \$169,470.74 in federal payments to these two unaccredited schools.

However, a comparison of the data received from the schools with the information provided by DOE and DOT shows that the schools and the agencies have likely understated federal payments. For example, Kennedy-Western reported total payments of \$13,505 from DOE for three students, while DOE reported total payments of \$14,532 to Kennedy-Western for three different students. Thus, DOE made payments of at least \$28,037 to Kennedy-Western. Additionally, DOT reported payments of \$4,550 to Kennedy-Western for one student, but Kennedy-Western did not report receiving any money from DOT for that student.<sup>2</sup>

<sup>2</sup> Our investigation was limited to direct federal payments to schools and did not include federal reimbursements of school fees to employees.

*Determining Whether High-Level Federal Employees Have Degrees from Diploma Mills*

On the basis of the information we obtained from eight agencies, we determined that some senior-level employees obtained degrees from diploma mills. Specifically, we requested that the agencies review the personnel folders of GS-15 (or equivalent) and above employees and provide us with the names of the postsecondary institutions from which such employees reported receiving academic degrees. The eight agencies were Education, DOE, HHS, DHS, DOT, VA, SBA, and OPM. The agencies informed us that their examination of personnel records revealed that 28 employees listed degrees from unaccredited schools, and 1 employee received tuition reimbursement of \$1,787.44 in connection with a degree from such a school.

We interviewed several federal employees who had reported receiving degrees from unaccredited schools. These employees included three management-level DOE employees who have emergency operations responsibilities at the National Nuclear Security Administration and security clearances. We also found one employee in the Senior Executive Service at DOT and another at DHS who received degrees from unaccredited schools for negligible work.

Moreover, we believe that the agencies are not able to accurately determine the number of their employees who have diploma mill degrees. The agencies' ability to identify degrees from unaccredited schools is limited by a number of factors. First, diploma mills frequently use names similar to those used by accredited schools, which often allows the diploma mills to be mistaken for accredited schools. For example, Hamilton University of Evanston, Wyoming, which is not accredited by an accrediting body recognized by Education, has a name similar to Hamilton College, a fully accredited school in Clinton, New York. Moreover, federal agencies told us that employee records may contain incomplete or misspelled school names without addresses. Thus, an employee's records may reflect a bachelor's degree from Hamilton, but the records do not indicate whether the degree is from Hamilton University, the unaccredited school, or Hamilton College, the accredited institution. Further, we learned that there are no uniform verification practices throughout the government whereby agencies can obtain information and conduct effective queries on schools and their accreditation status. Additionally, some agencies provided information about only the most recent degrees that employees reported receiving.

*Concluding Remarks*

Our investigations revealed the relative ease with which a diploma mill can be created and bogus degrees obtained. Furthermore, the records that we obtained from schools and agencies likely understate the extent to which the federal government has paid for degrees from diploma mills and other unaccredited schools. Many agencies have difficulty in providing reliable data because they do not have systems in place to properly verify academic degrees or to detect fees for degrees that are masked as fees for training courses. Additionally, the agency data we obtained likely do not reflect the true extent to which senior-level federal employees have diploma mill degrees. This is because the agencies do not sufficiently verify the degrees that employees claim to have or the schools that issued the degrees, which is necessary to avoid confusion caused by the similarity between the names of accredited schools and the names assumed by diploma mills. Finally, we found that there are no uniform verification practices throughout the government whereby agencies can obtain information and conduct effective queries on schools and their accreditation status.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or Members of the Subcommittee may have.

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Chairman McKEON. Well, I am certainly glad we are holding this hearing. I realized we had a problem, I didn't realize the extent and the severity of the problem.

Mr. Ezell, you said that you, in your time with the FBI, you investigated and prosecuted and put several people in jail. Do you think we have sufficient laws on the books now to handle this problem, or do you see other laws that should be passed?

Mr. EZELL. Mr. Chairman, I think the laws that we have now will work fine if they are applied. We predominantly use, as you have said earlier, the fraud by wire, mail fraud, conspiracy, aiding abetting, money laundering, and on one instance, obstruction of

justice. The laws are there, if somebody will take time to work it and do the job. It can be done with what's out there now.

Chairman McKEON. This would be the diploma mills.

Mr. EZELL. Yes, sir.

Chairman McKEON. Is there also law against Federal employees or other employees using these false degrees for employment?

Mr. EZELL. Yes, and no. There is not a specific law. We did not have judicial venue in the western district of North Carolina against the Federal employees using our diploma mill paper all over the country. No. 1, we would have to look at the state law in that area where they were using it.

No. 2, whether they violated title 18 section 1001, the false statement statute, we would have to look at each of the forms that they filled out when getting reimbursement for the degree. Each case stood on its own with the facts in that area.

Chairman McKEON. Now—

Mr. EZELL. Now, every state has different laws, also, so you have to look at where, what, what are the laws right there.

Chairman McKEON. So it is not a Federal law, it is a state—

Mr. EZELL. No, sir, it is not, unless you are talking about the false statement to any agency of the United States government, except for the 1001 statute. There is not a specific law, is what I am saying.

Chairman McKEON. But you indicated that the FBI is no longer working on these?

Mr. EZELL. No, sir. And I will be candid, and it is in my written statement. The FBI office in Charlotte took some heat from what we were doing.

We had an individual that came to us and said there is a college in South Carolina selling degrees and transcripts. We met with the assistant U.S. attorney, he saw harm to society, we instituted an investigation, and that led us from school to school to school for many years. We spent about \$25,000 or so on various degrees. FBI headquarters did not look at that as an investigative priority, in their mind, nationally. But it was a priority where we were.

The FBI wanted to do it, the U.S. attorneys office gave us all the support we needed. And at that time we had Judge Robert Potter as our chief district judge in the western district, better known as "Maximum Bob" to the defense bar. A graduate of Duke.

So, when the opportunity presented itself, and one of our crooks offered us any degree we wanted, we bought Duke, just to ring the bells when it went through the system.

Chairman McKEON. How can we set this as a priority? Do we have that ability in Congress?

Mr. EZELL. Use the muscle that you have, request that the FBI dedicate one person to do nothing—one agent—to do nothing but education fraud. That will have quite an effect on this.

At the same time, have the FTC do what they can on the civil side. Have the postal inspectors—these people need the mail, they need the interstate delivery services, so if you attack them from a mailing standpoint, getting the documents to you, from using the telephone standpoint and the computer fraud statutes at the same time you're using the FTC, you've come at them like an octopus.

Sooner or later—and at the same time, prosecuting the egregious use of these degrees if one buys it knowing that it is a fraud, uses it to obtain a job or to obtain a promotion in the Federal Government that has an educational requirement, or uses Federal funds to buy it with, and do all of that simultaneously, it can be stopped.

This is a very big, lucrative business, and no one is doing anything about it. I mean, I got a spam while I am typing my testimony from today. I mean, I had responded to them a couple of days ago. That is the only way you will know what is being sold today, is to respond. These are extremely sophisticated people.

I mean, we had a deep throat in the boiler room in Romania, and we—initially he wanted \$20,000, we got it down to \$1,000, and a bunch of us civilians chipped in \$100. We sent him \$1,000. He sent us all their boiler plates that they read, the list of all their schools, everything, which we gave Senator Collins staff later.

I mean, if I am grossing \$435 million and no one in law enforcement in the United States is doing anything about it, telling me to stop isn't going to be enough. And I am an American running it from abroad.

Chairman MCKEON. So the current laws that we have would apply in that instance, even though you are doing it from abroad?

Mr. EZELL. They can be, with a little massaging, yes sir.

Chairman MCKEON. Thank you very much.

Mr. EZELL. Thank you, sir.

Chairman MCKEON. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman. We talked about the question of need for new Federal laws or enforcement of the present law. How about greater penalties? There should be criminal penalties for awarding these phony degrees. How about increasing, or looking at the question of criminal penalties for receiving and using these degrees?

In other words, both the buyer and the seller would be guilty of some type of chargeable crime. Could you—

Mr. EZELL. I agree with what you are saying. When the FBI worked the case on LaSalle University in Metairie, Louisiana, there for the first time we saw them seize bank accounts. And they got somewhere between \$85 million and \$11 million out of 8 bank accounts of the school. So that was the first time we had seen the application of seizure of assets from the college.

And of course, in the Pellar case, he agreed to pay a fine to give up his \$1.5 million yacht that he had been sitting on there in Mexico as a Federal fugitive running this scam.

If we apply the seizure aspects of the laws that are already on the books, that is one way to go after the pocketbook. I do not know if increasing the penalties on the existing statutes will do it. I don't think it will, because they don't really think they are going to get caught.

I believe that the prosecution and publicizing the prosecution of the egregious use of diploma mill paper will also work. I don't know if attaching monetary damages—for example, all the school teachers in the state of Georgia—there were about 11 of them that were exposed 2 months ago as having degrees from St. Regis University.

Now, those 11 school teachers, number 1, have agreed to pay the \$30,000-some back to the Georgia school system. They have all had

their educational credentials retracted by the state, and resigned. Now the state is deciding, "Are we going to prosecute?" And there has been a good bit of publicity on that. That's the thing that will get the message out, that you can't use it, there is a penalty, you will lose your teaching certificate.

And then you have to wonder how many graduates of that same school exist in the other 49 states. I don't know that answer. But there have been laws that you all have passed up here in the last couple of years increasing the pressure on school teachers to become more certified, to obtain graduate-level degrees. And that may be sending them the easy route to diploma mills.

Mr. KILDEE. As a matter of fact, the bill which the other Subcommittee—No Child Left Behind—

Mr. EZELL. That is the one, yes sir.

Mr. KILDEE. OK—

Mr. EZELL. And that may be the impetus for them getting the graduate level degrees the easy way.

Mr. KILDEE. Because we looked at the number of teachers who needed to increase their certification or the degrees, and this may have provided the incentive for some to seek out the—

Mr. EZELL. Yes, sir.

Mr. KILDEE. That is why, apparently, these teachers in Georgia only received, so far, some civil penalties. Do you think it would be prudent to have some Federal penalties for the—at least for the egregious abuse of this? Any of you on that.

Because to my mind, the civil penalty kind of restores things to where they were, but it takes two to commit a crime in this type of thing, it seems to me. There has got to be the buyer and the seller.

Ms. MORSE. Well, that is what the—did you say any of us?

Mr. KILDEE. Yes.

Ms. MORSE. That is what they tried to do in Oregon. And that law, as I understand from Mr. Ezell, is being contested. But the law was the use of the degree would also be prohibited, and also the use of the degree—any use of the degree in the state, even if the employer, for example, was outside the state.

Mr. KILDEE. Well, you know, if someone buys the status of a Kentucky colonel, that is one thing. But he tries to get in someone's army with the idea that he really is a colonel, then there is really the use of that degree, right, or the use of that title.

And it seems to me that there should at least be the threat of some criminal penalties for using a fraudulent degree.

Mr. EZELL. I agree. Like the state of Oregon, you can get arrested for using an educational credential on a school that is not approved by the Office of the Reauthorization to be used as such in the state of Oregon. I don't know whether it is enforced, but it is on the books and you can get locked up for it. And it is that type of law that if every state had it, then that is the hammer that you could use.

Mr. KILDEE. Thank you very much.

Mr. EZELL. Thank you, sir.

Mr. KILDEE. I see I have exhausted my time. Thank you, Mr. Chairman.

Chairman McKEON. Thank you. Mr. Ehlers?



Mr. EHLERS. Thank you, Mr. Chairman, and I thank my colleagues to my right, who are letting me go ahead of—or out of order, because I have a 12 commitment.

But I wanted to say this has become somewhat personal to me for two reasons. First of all, I worked 80 hours a week with no vacations for 4 years to get my Ph.D., and I kind of resent people getting a Ph.D. in 20 minutes for a much smaller sum than I paid.

But what really made it personal, I received a phone call last Saturday by coincidence, from a sister-in-law who had received this e-mail which I will have distributed in a few moments.

It says, “A genuine college degree in 2 weeks. Have you ever thought that the only thing stopping you from a great job and better pay was a few letters behind your name? Well, now you can get them. BA, BS, BSE, MA, MSE, MBA, Ph.D. Within 2 weeks, no studying required, 100 percent verifiable. These are real, genuine degrees that include bachelor’s, master’s, and doctorate degrees. They are verifiable, and student records and transcripts are also available. This little known secret has been kept quiet for years. The opportunity exists due to a legal loophole allowing some established colleges to award degrees at their discretion.”

With all the attention that this news has been generating, I would not be surprised to see this loophole closed very soon.

[Laughter.]

Mr. EHLERS. “Order yours today. Just call the number below. You will thank me later.” We will hand these out now, and be sure to give them to members of the media, too.

[The information referred to follows:]

----- Original Message -----

From: 11234201 <mailto:11234201@e-ol.de>

Sent: Saturday, September 18, 2004 11:46 AM

Subject: A Genuine College Degree Within 2 Weeks! 100% Verifiable!

#### **A Genuine College Degree**

##### **in 2 weeks!**

Have you ever thought that the only thing stopping you from a great job and better pay was a few letters behind your name? Well now you can get them!

#### **BA BSc MA MSc MBA PhD**

Within 2 weeks! No study required! 100% Verifiable!

These are real, genuine degrees that include Bachelors, Masters, and Doctorate degrees. They are verifiable and student records and transcripts are also available.

This little known secret has been kept quiet for years. The opportunity exists due to a legal loophole allowing some established colleges to award degrees at their discretion.

With all of the attention that this news has been generating, I wouldn’t be surprised to see this loophole closed very soon. Order yours today. Just call the number below. You’ll thank me later.

206-309-0904

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That, to me, was incredible. I spent 22 years in higher education, and to see this going on is just deplorable. What especially disturbs me is your comments, Mr. Ezell, basically we are not—the FBI is

no longer pursuing this crime. And I can understand they have a lot to do with anti-terrorism and organized crime, and so forth. But someone has to take care of this.

I am not that keen on going after the victims of this, although they—the people who do buy the degrees, they obviously should be punished. But that doesn't stop the operation. The only way you stop the operation is going to the source.

That leads me to two questions. And we will start with Mr. Ezell on this, and go down. The Internet, it seems to me, has really aided them, has aided the people in propagating this information. The first question is do we need special legislation to strengthen the prohibition against the use of the Internet?

Secondly, how do we stop foreign operations? Do we have enough agreements with foreign countries that we can, through our laws, stop the foreign operations? Because with the Internet, it doesn't matter where you are, you can still run the scam. So I would appreciate comments on that.

Mr. EZELL. Sir, I honestly do not know how you would stop the foreign operations. Two years ago I found a new Internet college that had the skyline of Jacksonville, Florida and Tampa, Florida on it, and they were using a mailbox address near Tampa.

When I went to see where they were, they were in Hong Kong, China. So I do not know how you stop it. I don't know what legislation, what agreements with other countries would work. I am not that computer literate.

I do know that when the FTC came down with their temporary restraining order and their restraining order later against the university degree program folks, they were able to stop the host computers, the ISPs, that held the websites for those schools. So, what did they do? The bad guys set it up in Israel. I mean, they learned real quick where they were going with the U.S. law enforcement, and then moved shop.

That is an excellent idea. I think that that would probably work. I don't know what the mechanics would be. But I would love to see something that could stop that.

Mr. EHLERS. All right. I do happen to be computer literate, and I think working through the ISPs would be the best way. Each time one of these is reported, simply getting the ISP to take them down, remove their e-mail privileges, their websites.

And again, it is going to take diligent effort on the part of Federal personnel to accomplish that, because it is not going to happen just because we totally agree. Any other comments?

Ms. MORSE. With respect to accredited institutions, we certainly require that their advertising be honest. And I have traveled abroad and seen advertising on cable TV and so forth that I felt was not fully disclosing for our institutions, and they stopped that immediately. So that is one of our accreditation requirements.

With respect to foreign institutions, there are some which are accredited. But there is also an initiative to have a network, an international network of quality assurance agencies, so that they can publish who it is that they accredit, and you can at least click through to their websites and find out is this a reputable agency. Because there are also accreditation mills, and you can say you're

accredited and you're accredited by an accreditor that is not really an accreditor.

And finally, I would just raise the point that there is a gray area that—I think that we might plug one loophole and then have the problem that you are going to have institutions saying, “Well, take a course,” or, “We’re giving you credit for life experience,” and then you are going to really need an in-depth review of each institution. Is it really certifying actual knowledge, or is it simply saying that that is what it is doing?

Mr. EHLERS. Mr. Cramer, do you have anything to add?

Mr. CRAMER. I have nothing to add to the comments made by my colleagues.

Mr. EHLERS. OK. Well, thank you very much. And thank you, again, to my colleagues for yielding to me.

Chairman McKEON. Thank you, Mr. Ehlers. Ms. McCarthy is recognized for 5 minutes.

Ms. MCCARTHY. Thank you, and thank you for holding this hearing. I am just curious. There is no studying, there is nothing? No books are sent for the amount of money that you send in for the course? You know, when you sign up for one of these courses to get your degree. To anybody, there is no books sent? The consumer, then, is basically buying their degree? They are just getting a certificate without doing anything?

Mr. EZELL. In 11 years, I have received books after my degrees from only one school. Some of the university degree programs, in your graduate kit—that is, your diploma, two certified transcripts, your letters of recommendation from professors you have never met or ever interacted with, along with a sheet dealing with how you can get your degree verified.

They will then include about a 14-page exam, that if you care to take it now that you're a graduate, there is a fee for them to grade it. So they are all strictly a smash and grab. Certain of these.

Others that are watered down may run you through a couple of hoops, you may have to do some papers with some Internet course work so you have—it's a scale, a continuum, from the totally fraud over here, where you do nothing and you know you did nothing—I mean, this week, when I talked to this fellow from this university, it took him less than 40 seconds to qualify me for an MBA. That is strictly a fraud.

But there are others where it is a gray area, where it may take a period of time, a couple of courses, some papers. I may not know that it is just a storefront, that they accredit themselves. So there is a range of this operation.

Ms. MCCARTHY. All right, so that is how some consumers or some students would actually believe they are actually earning a degree?

Mr. EZELL. Exactly.

Ms. MCCARTHY. I have been trying to figure this out.

Mr. EZELL. Exactly. And some of them even offer—up until three or 4 years ago, they were offering a free video. Others, you can take a virtual tour of the campus. You don't know that it is all a fraud, because it's 2,000 miles away. You have never driven to the address. You don't know that it's just a mail referral service.

Ms. MCCARTHY. How are we going to—many of us here on this Committee, we have had hearings, and many of us agree that because of the technology that is out there, we believe in distant learning, which is, you know, something coming of the future. And how are we going to be able to pass laws that we're going to try and do to clean this up and still not penalize the legitimate ones out there?

Mr. EZELL. And I agree that distance learning is here to stay, with the advent of the Internet. If the Department of Education does, in fact, come out with this web-based list that they have talked about when they held their summit in January, then that would be an easy place for both our citizens and citizens abroad to go look for the school, if they knew this list was out there, and see is it on one of the approved—and I may be using the wrong word—is it on one of the good lists put out by an agency of our government.

But then they would have to know that that list was there in order to go look at it. Just like the state of Oregon, if you want to know if a school is bad, go look at Oregon right now. It's the only state that actually posts a list of the schools you can get locked up for. No one is willing to go out on the plank and call a school bad. That's one of the problems. They're afraid of being sued.

Ms. MCCARTHY. Thank you. Just to follow through—and again, I guess because so many of us are concentrating on the 9/11 Commission and Homeland Security—to be able to get these degrees I think is a little nerve-racking, when you think about possibly a terrorist that is sleeping in this country, getting one of these degrees to prove that they have been here for a while.

Mr. EZELL. You brought up a good point. We have previously seen—20 years ago—diploma mills being used as a way of getting foreign students into the country, and that is also available today. So we should not—and especially with some of the mills that can be tracked back to some of the Middle Eastern countries, who is to say that they are not using this as a vehicle to get people over here.

Plus, where did this American that set up his shop in Romania and Jerusalem, what has he done with the \$435 million? Who has he sponsored in what area? And I don't know the answer. But it is in the universe of possibilities.

Ms. MCCARTHY. Thank you very much.

Mr. CASTLE. Thank you, Ms. McCarthy. I will yield to myself for 5 minutes. And I would just like to say a couple of things up front.

I helped trigger this hearing. After reading about it, I do not know what concerned me the most. One of the things that concerned me was reading about something you mentioned, Mr. Ezell, was the degrees from Hamilton University. I have a degree from Hamilton College, thank you, for which I spent 4 years working pretty hard to get, and it bothers me to see that happening.

But reading what happened over in the Senate, and then realizing there has not been a lot of follow-up, and realizing that I am not sure that we, as Members of Congress, understand the extent or breadth of this problem at all. And I hope this hearing wakes us up. And frankly, I hope—if this hearing is the end of it, then

I will be vastly disappointed, because I think a lot of changes have to be made, and I think you have touched on a few of them.

And quite frankly, I think we have to be more innovative than ever before, because we are dealing with the Internet, we are dealing with online legitimate schools at this point. There are a lot of changes that have gone into place.

And obviously, as you all pointed out with the Internet, there is all kinds of machinations, and ways of turning this around to spread the illegality that goes on.

Let me just also say that I don't think there is any innocence in this. I will be very candid about that. I think anybody who receives something like Vern Ehlers' daughter received here, and getting her college degree in 2 weeks, and just sending away for it, anybody—anybody—who would do that would absolutely know what they are doing. If they do that, and they are being—receiving remuneration at a much higher level because of that, to me they are implicated as much.

And let me also just say that I am a total believer in what you have said, which is the fact that we need to enforce this. I have always believed that enforcement and publication is of tremendous value in cutting these things out. People start reading about it, be it a few students who are also brought into the picture here, as well as the names of the colleges or whatever, it's going to change things dramatically.

Although I must say that with all the rapid changes and use of the Internet, it may not change as dramatically as I would like to see it happen. But I think this is outrageous, what has happened, and I frankly think we need to do a heck of a lot about it in terms of what we're doing in this country. And it does need to be addressed.

And I know we can say, "Well, gee, we have to have all our FBI agents for terrorists," or whatever. Well, that's not completely true. As we all know, the FBI does a lot of other things, as well. And one—in this day and age it's always more than one, probably—but whatever it would take to do it is something that should happen.

So, my goal is, frankly, to find different ways of doing this and preventing it from happening, one way or another, particularly at the Federal Government level. That whole business of the 2 percent who were looked at and all the false degrees they had, to think what's happening to the other 98 percent, I think, is completely outrageous and should be gotten to the bottom to as soon as possible.

Let me start, though, on my questioning, now that I have gone through my tirade here, with Ms. Morse on the accreditation end of it. Because you mentioned the gray area—funny, I had written it down before anybody said it—but you have mentioned the gray area two or three times yourself, I think somebody else has mentioned it here.

But I mean, not all schools which are legitimate schools as I understand it, are accredited. In fact, you have made it—and I know colleges are very concerned about accreditation, colleges and universities, and I know it is sometimes difficult.

And you have indicated that—in fact, I wrote it down—but good schools sometimes stop in the process and don't bother getting ac-

credited. So we're not talking about black and white here, we have got a gray area where there are some schools which are legitimate, degree-granting good schools which are not under either your accreditation or any of the other specialized accreditations which exist out there.

So, if we get a list of all the accredited schools, all 6,000 by all the different entities that you mentioned, in addition to Middle States and those like it, if we get all those, we still may have a grouping of schools which are legitimately granting degrees and are not part of these diploma mills, and then we can't get a whole list where we could just absolutely look at it and say, "These are legitimate schools, and these are not legitimate schools." How do we overcome that problem?

Ms. MORSE. Well, I said that in the interest of full disclosure. But those schools are not eligible for Federal funding. So there would be, as a practical matter, very few of them.

There is another gray area which I think raises a really interesting philosophical practical problem, which is we are going, in higher education, to outcomes-based measures. We want to know what you have learned, as opposed to how many courses you took.

And therefore, we have institutions such as the Western Governor's University, which are simply certifying knowledge. And at what point do we get to an institution where we have to judge it, is this really a legitimate degree? Did they certify your knowledge properly?

But the gray area that I was referring to was more the in-between case, where you are taking a couple of courses online, but it's not really legitimate, and it's really not that hard for an accreditor to tell that. We visit, we look at the—you know, we meet with students, we meet with faculty, we go online.

One of the benefits of online, by the way, is that we get a lot of hits on our website of our listed institutions. So apparently, people from around the world do know that.

Mr. CASTLE. Well, let me ask you a hypothetical. An this is hypothetical, and do not be afraid to answer it. And that is do you believe, with the knowledge that you have, that if you were assigned by whomever, the Department of Education, or yourselves, or whatever it may be, the responsibility of not just accrediting, but of determining those schools which are indeed falsely holding themselves out to be degree-granting institutions?

Do you think you have the capability of doing that, setting aside all the legal objections, and all that kind of thing?

Ms. MORSE. We certainly have the expertise. We don't have the resources.

Mr. CASTLE. Right. But you think you have the expertise, and you feel that, given the resources, that that is a doable objective?

Ms. MORSE. If you spend 5 years visiting a school, getting reports from them, sending them consultants, you have a pretty good idea of whether they are legitimate, yes.

Mr. CASTLE. My time is sort of up, but I am going to go on here for a little bit. And let me ask you, Mr. Cramer, why—I do not know what the Office of Special Investigations at GAO has done or not done here. I mean, I have read your testimony, I listened to

what you said here today, but is there more that you could be doing?

I mean, we obviously have a problem right here at the Federal Government level, you know, with people using diploma mill degrees to probably receive more—to maybe even get a job, and to receive higher income, and that kind of thing. Is there more that we should be doing? Should we be helping the GAO more? Is there more that should be happening there?

My impression is that we have let a problem just go along, and we ought to be doing a heck of a lot more about it, is where I am coming from.

Mr. CRAMER. Well, I think that the work we have done to date is really just the tip of the iceberg. It is a small snapshot of what is out there.

As I mentioned before, records that we got from just two of these diploma mills and two agencies indicated \$150,000 in payments to just those two schools by those agencies. So this is just a very small part of a much larger—

Mr. CASTLE. So do you think, with greater resources, that you all could be doing more? And I have a lot of respect for what you and your group does. I mean, if we gave you greater resources, could you—to me, there is a whole world out there that we have not been into sufficiently.

Mr. CRAMER. We would be happy to talk to you about doing additional work in this area. We are certainly open to that possibility, and we would be happy to talk about projects. We have some ideas for things that we could do, and we would be happy to talk to your staff about that.

Mr. CASTLE. OK. Mr. Ezell—and this will be my final question—the counterfeit—and you mentioned something else that I think was also in your written testimony—but you mentioned the counterfeit degrees from legitimate universities, which is very different. That is just a forgery, as I would understand it.

And I guess it relates somewhat. Have you had a—much experience with that, in that area, when you were in the FBI or since then in the work you are doing now?

Mr. EZELL. Yes, sir, I have. When I visited one place in Grants Pass, Oregon, I seized 32,000 diplomas on 320 universities. Once you design the printing plates, you print 100. You don't print anything less.

Today, on the Internet, you can buy just about anything you want on any school. I can buy a degree, a transcript, envelopes with the return address of the registrar's office. I can buy rubber stamp seals. If their transcripts are on security paper, then that's what the bad guys have. It's all out there today.

It should not be this easy. And if in today's society so many employers don't take the time to check out someone, and to verify their educational credentials—my daughters have graduated from the University of North Carolina and the University of Florida. I have bought counterfeit degrees on both of those schools for a lot less than what I sent them to college on.

[Laughter.]

Mr. EZELL. The signatures were wrong for the year of my graduation. But otherwise, it was a look alike. They are good, quality work.

Mr. CASTLE. These are different people than the diploma mill people, or are they—

Mr. EZELL. Yes, sir.

Mr. CASTLE.—in some instances the same?

Mr. EZELL. Yes, sir. It is a different operation, totally. And some of these have transcript verification, sort of like buying a triple combo at McDonald's, you know. "I will take this, this, and this, and hold the honors," you know. Whatever you want. Whatever GPA you want, it's all available.

I brought some items today, just as examples of some of the quality that is out there. Anything is for sale, sir.

Mr. CASTLE. I said it would be my final question, but I can sort of imagine this, but how are they used? I mean, you can put them on the wall, but you can also present the transcript, and then show the whole record of it, and say, "I went to Harvard, and here is my record. I was tenth in my class," or whatever it may be?

Mr. EZELL. Yes, sir. And I have brought several Harvards with me today. Yes, sir.

Mr. CASTLE. Very good.

Mr. EZELL. Wherever my stack is. But there are some Harvards in it.

Mr. CASTLE. I should have met you sooner. I could have saved 7 years of my life.

Mr. EZELL. You can be all you want to be, or be who you want to be. Think of identity fraud. Think of all of this that we are talking about today in line with identity fraud, or in line with terrorism. I mean, just look at it as your back-up documentation.

Mr. KILDEE. Exactly.

Mr. CASTLE. These are—I am going to distribute these amongst the members so they can look at them, but these are the diplomas—

Mr. EZELL. Those are all counterfeits. And to answer a question that you did not ask me, the state of Oregon, on their website, even has non-accredited schools—they have come up with criteria where they have found some non-accredited schools legitimate to use as educational credentials in the state of Oregon. When we're talking about accredited versus non-accredited. So they have come up with criteria and post certain non-accredited schools that you can use their credentials for education in Oregon.

Mr. CASTLE. Thank you. Mr. Tierney is recognized for 5 minutes.

Mr. TIERNEY. Thank you. Just a couple of questions, because I have to go. But Mr. Cramer, what do you know about any efforts on the Department of Education to take action to make sure that people aren't using the Federal Family Education Loan Program for places like your institution where you apparently got them to send some money?

Mr. CRAMER. Well, as a result of the investigation that we did, we know that they revamped their process of verifying foreign schools.

Our—the school that we set up was—exploited a vulnerability with respect to the verification of foreign schools.



Mr. TIERNEY. What, specifically, did they do? Do you know?

Mr. CRAMER. Well, prior to our work, there was, in fact, no process in place for the Department of Education to actually check with the foreign government, or the foreign government educational authority to determine whether the school which sought to be a part of the student assistance program here was, in fact, licensed to operate and was fully accredited according to the foreign government standards.

So, that is a significant piece of—that is a significant change that has occurred. They now do that. They make sure that they consult with the foreign authorities and determine whether or not it is a licensed school within that country.

Mr. TIERNEY. What if one of the foreign countries contacted our Department of Education and asked about one of these mills that you're talking about? What would the answer be, that they just don't know because they don't keep track of them all, or—

Mr. CRAMER. See, the Department of Education here doesn't do accreditation itself.

Mr. TIERNEY. Right.

Mr. CRAMER. It recognizes accrediting bodies, such as Middle States.

Mr. TIERNEY. But I guess that is my point is, you know, if I were another government and I say, "Look, we want to know whether or not this institution, Lexington College," for instance, or whatever it is, you know, is a legitimate school or whatever, "What can you tell me?" Our Department of Education would not be able to give them an answer, right?

Mr. CRAMER. By the end of the year, the Department of Education has told us that they will have available online a list of accredited schools.

The problem now is if you want to do a definitive search to determine whether a particular school is accredited, there is no one, convenient online place you can go to. You need to go to the various accrediting—

Mr. TIERNEY. Right, but is there a difference between a legitimate school and accredited, or can you also—can you be a non-accredited school but be a legitimate institution?

Mr. CRAMER. Yes, you can.

Mr. TIERNEY. And would our Department be able to make that distinction for any foreign government inquiry?

Mr. CRAMER. Well, I am not exactly sure how they are going to organize the information. But I know, for example, that OPM organizes its information about schools according to whether it is accredited, non-accredited but pending accreditation, whether it is another type of school, for example a foreign school which would not seek accreditation in the United States, but may be a perfectly fine school accredited in a foreign country.

And then the fourth category, which are the diploma mill type businesses. I mean, I don't call them schools or institutions. They are just businesses that are set up to sell degrees.

So, there are all different kinds of businesses and schools and institutions out there, and—

Mr. TIERNEY. And you think the Department of Education has a good bet on just which are which?

Mr. CRAMER. I really cannot speak to that. I do not know.

Mr. TIERNEY. With respect to the eight agencies, the Department of Education, Energy, Homeland Security, Health and Human Services, Transportation, Veterans, Small Business, and the Office of Personnel Management, where you found some 28 employees with degrees from unaccredited schools, has any disciplinary action been taken against those individuals, do you know?

Mr. CRAMER. Well, I know that we referred the results of our work to the inspector generals' offices at each of the agencies. At this point, I do not know what, if any, disciplinary action has been taken with respect to those people.

Mr. TIERNEY. OK. I mean, some of them had some fairly significant positions, including national security clearances.

Mr. CRAMER. Yes.

Mr. TIERNEY. So it would be important to both those people who were duped, or if they—it gives us a question on their intelligence on that, or maybe not—but also whether they would just be devious themselves, in a position like that.

What advise do you have for those eight agencies and others about what they must do to avoid that circumstance?

Mr. CRAMER. Well, what we found was a surprising lack of systems to verify educational credentials. What the agencies need are systems to verify whether someone, in fact, has a degree, and to verify whether the degree is from a school or a diploma mill, or an institution. Is this a legitimate school?

It is hard. It is not an easy thing. For example, you mentioned the example of Hamilton. Hamilton College is a fully accredited, fine school in Clinton, New York. Hamilton University is a diploma mill in Wyoming.

But when—if an employee has obtained a degree from Hamilton, and they simply put on their application, or whatever they fill out, "Hamilton," without further identifying information, which happens, without an address or university or college, that's just one example. And diploma mills frequently will take names that sound like legitimate schools.

Another one is LaSalle. LaSalle is used by some perfectly fine schools, and also by diploma mills. So it also depends upon the employee's own knowledge and culpability, and what kinds of information they are giving to the agencies.

Mr. TIERNEY. Were you able to give any advise? I mean, who is giving these agencies advise on how to set up those systems, now? Is that your agency, or did you push off—somebody else has that responsibility now?

Mr. CRAMER. We have not been asked to do that at this point. Certainly we would be happy to see whether GAO could assist the agencies, if they are interested.

First of all, what Congress has done, I think, is very helpful in just making the agencies aware of the problem, aware of the need for attention to the problem, and the need to determine what the scope of the problem is. That is the start, and I think that you have gone a long way toward doing that here.

And now, they need to design some kind of verification process, and they need assistance in doing so in a way that works, that doesn't make the process unduly cumbersome.

Mr. TIERNEY. Thank you. Mr. Chairman, thanks for bringing this issue to everybody's attention. But perhaps the Committee wants to do something about notifying these agencies and offering the General Accountability Office's services if they need that, or whatever. With that, I yield back. Thank you.

Mr. CASTLE. Thank you, Mr. Tierney, very much, for your thoughts and time here. Mr. Petri is recognized for 5 minutes.

Mr. PETRI. Thank you. I think I would like to just sort of follow up on the previous line of questions and ask you particularly, Mr. Cramer, does it really make sense, given all we have heard, to focus on the "diploma," whether it is from an accredited or non-accredited, or—I mean, they are so easy to get and all of this.

Doesn't it make more sense to focus on what the diploma is supposed to represent, and have what you said, outcome-based—I mean, when—I happen to have a law degree from what is an accredited university. But they did not let me practice law. I had to take a bar exam.

I fly on airplanes all the time, and I assume they take courses, but they do not get to fly the airplane just because they have taken the courses. They have to demonstrate, in a variety of ways, their competence.

And so, we have problems of fraud all the time in our society. I mean, McDonald's has to deal with it, and Wal-Mart, and so on, and they worry not just about arresting people, or checking out their credentials, but setting up systems that protect them and minimize the fraud.

So, shouldn't we, instead of giving people awards for a pay increase for a diploma and then running around trying to check on whether this piece of paper is valid or not, just do it based on demonstration of increased competence in a particular area? Wouldn't that be a lot simpler, and more straightforward, and then we don't have to worry about whether people are cheating or gaming the system?

I am just asking. I mean, we can spend a lot of time and money putting more resources into checking into the validity of paper. Why don't we just look at what the paper is supposed to represent, and determine whether people know that. Can you comment on that? Is that wrong?

Mr. CRAMER. Not at all. I think it addresses one part of the problem. But there is still the other part, which is if, for example, a veteran's hospital is going to hire a doctor, they have to know that this individual, in fact, has a degree, a medical degree, from a legitimate medical school. And the suggestion you made, I think, is a very fine one. But I don't think it addresses that—

Mr. PETRI. Well, wouldn't he have to be certified and take an exam in order to practice in that state?

Mr. CRAMER. Well, I guess the first question is to determine where the medical degree comes from, and whether the institution or the school or the business, whatever it is that grants a medical degree, has had a legitimate medical education program.

So, we want to make it possible for agencies, private employers, anyone who has a need to know that—

Mr. PETRI. But isn't it true—I mean, I went to college—there—even though it is certified, and it is a perfectly good school, there are a lot of courses—kids call them guts.

You can get—I mean, there are a whole mixture of things, and it just doesn't necessarily mean that—I mean, you don't want to—empowering people to do things because they have a piece of paper, rather than checking into what they actually know, it seems a lot simpler just to require that they demonstrate a level of competence for real activities.

Or maybe it is better—if you want to empower, make certification of something important, make that another step. But that is kind of like you have to have a union card and then do something. I mean, if you want to do that in order to organize society, and restrict access, but in education a lot of states do that. But the private schools don't, so you have people who teach in parochial school who aren't certified, even though they both have gone to college.

I mean, there are a lot of ways of doing this. But all I am asking is should we really be spending that much time on these systems, or wouldn't it be a lot simpler to just worry about the basic competence, and if people don't do that, they are liable, probably? If the people, their customers, are hurt by someone they placed in that position?

And beyond that, I mean, there are only so many resources in this world. To spend all kinds of money looking into the integrity of various diploma mills, as opposed to whether people, whether they are from the diploma mill or not, know how to do the job—that's just my question.

Ms. MORSE. May I address?

Mr. PETRI. Go ahead.

Ms. MORSE. That is why accreditation is trying so hard now to go in that direction. I do not know that we can have licensing tests for every kind of job that there is. But what we can do is to preserve the diversity of the different kinds of colleges that we have, and hold them to the learning goals that they have, in terms of the students that are graduating.

And we are putting a great deal of resources and effort into that, as are all of the colleges and universities right now.

Mr. EZELL. I agree with what you were saying. Some of the diploma mills, in fact, will caution you about buying a degree in an area that you have no knowledge. Because as you well know, you're not going to last long.

The other part of what you said, we are a credential-conscious society. We have left the age of apprenticeship, and I don't know how you can go back to an apprenticeship style society. It's the piece of paper that opens the door, it's the piece of paper that gets you the interview, the raise, et cetera. And sometimes, we have met people in life that we said, "He is just so smart that he is stupid." Well, it could be that he is just stupid.

[Laughter.]

Mr. EZELL. But he has the paper. You know what I am saying?

Mr. CASTLE. Thank you, Mr. Petri. Mr. Burns is recognized for 5 minutes.

Mr. BURNS. Thank you, Mr. Chairman. You know, patience is a virtue. I am delighted to be here. I appreciate your input, I appreciate your knowledge on this subject.

After spending 20 years in higher education and doing what my colleagues did, which was earn it the hard way, this creates a real problem. We have forgery, is that correct, Mr. Ezell, a forgery?

Mr. EZELL. Oh, yes, sir.

Mr. BURNS. Absolute, blatant forgery. And then we have fraud. You know, in Gwinnett County, Georgia, we had a few teachers who received degrees from St. Regis. And just to give you the input, they are master's degree in 24 hours. A reporter from the Gwinnett Daily Post applied for a degree. In 24 hours, submitted a request online, took an optional test—optional test—sample question to be used to determine that the applicant can earn a course credit by taking St. Regis' online test, "What two-syllable term means take into custody, or to apprehend?"

And of course, optional answer A was "Arrest." So, in 24 hours, the next day, the evaluation was completed and the qualifications for certification of degrees had been approved. You get a master's degree in arts and education, a master of education, certificate in organizational management counseling, educational consultation, student guidance counselor, education administrative consultant, documents would be prepared for your approval, and upon acceptance of the payment of appropriate fees.

The fee was \$995. Now, for a teacher in the Georgia system with a master's degree, that would qualify them for an annual salary increase of \$2,500. That's a pretty good investment. If I wanted a Ph.D. from St. Regis, it costs me \$1,500. But my pay would increase \$4,000. It's blatant fraud.

Mr. EZELL. Even worse, St. Regis is run by two Americans who—and they probably have 15 to 20 entities. You can even become a broker and get money for referrals. After 9/11, they even set up their university of homeland security, where you can buy everything you want in the field of homeland security. I have that in the attachments to my written statement.

So, they totally take advantage of the changing winds in the country. Quite a very sophisticated operation.

Mr. BURNS. The frustrating thing that I have is the fact that they are operating with impunity. And we have, you know—it is hard to determine how someone could be considered a victim if they voluntarily participate in fraud.

In Georgia, the authorities are looking at the opportunity of prosecuting those individuals for theft by deception, whereby someone who would deceive their employer to qualify for higher pay.

Mr. EZELL. Agreed.

Mr. BURNS. Just a couple of quick questions. Is—Mr. Cramer, is our government paying for these degrees?

Mr. CRAMER. Yes, the government has paid for a number of degrees for a number of people, according to the work that we have done, yes.

Mr. BURNS. These are fraudulent universities, paper mills. And in some cases we are indeed paying for the degree? So if I wanted to get a degree from St. Regis, for example, and I could get my em-

ployer to reimburse me, they would pay for the degree. Is that a possibility? Is that happening?

Mr. CRAMER. It did happen in the work that we did. We did find it happening, yes.

Mr. BURNS. And certainly it is occurring where we have employees at both the Federal Government, and likely our state governments, who are using these degrees to gain additional remuneration for their work, as well as promotions and job opportunities. Is that, again, happening on a fairly routine basis?

Mr. CRAMER. Our look at those Federal employees—we only looked at high-level Federal employees—but our look at those situations of those 28 people who were identified as having diploma mill degrees indicated that those people were hired not based upon the degree, but based upon their other qualifications and their experience.

Mr. BURNS. Was their degree an entry level requirement? Was that a part of the requirement for the position?

Mr. CRAMER. Not in all cases. Not in all cases.

Mr. BURNS. But in some?

Mr. CRAMER. In some cases, for example, they may have had a bachelor's degree from a legitimate institution, but then what people tried to do at times, we found, is enhance their resume by acquiring a master's or a Ph.D. in some cases, by simply paying a diploma mill for a degree.

So, they may have had the minimum educational requirements for the job from a legitimate institution, but then enhanced their resume—which, of course, helps you when you're looking for a job—by getting these bogus degrees.

Mr. BURNS. You know, it's amazing. We get on an airplane, and the first thing we do is we thumb through the local—you know, the magazine there in the seat in front of us in the seat pouch, and we see multiple advertisements for various degrees from questionable, at best, universities.

One of the things I am most concerned about is protecting legitimate universities, and not allowing them to become associated—you know, like you suggested various names, LaSalle for example. A very fine university. If it's the right LaSalle. Hamilton University, a very fine university if it's the right Hamilton.

And so, I think part of our challenge is protecting those who do a great job of helping many of us increase our expertise and knowledge and ability. So I appreciate your testimony, and I look forward to working with you as we continue through this process. Thank you, Mr. Chairman.

Mr. CASTLE. Thank you, Mr. Burns. Hamilton College, by the way. It's not that damn Hamilton University we are talking about.

[Laughter.]

Mr. EZELL. But it is designed to deceive and confuse people.

Mr. CASTLE. I understand. Yes.

Mr. EZELL. It has for years, and it hasn't changed.

Mr. CASTLE. I just wanted to ask two follow-up questions, and the others might, as well. I won't take much time. But what are the legitimate universities? And maybe I address this to you, Ms. Morse.

It seems to me that our legitimate colleges and universities—frankly, I question how good a job they are doing in communicating with this Committee to begin with, on a variety of issues I have seen of late.

But in this particular area, I would think they would be hot on the path of this. Maybe you do not run into this in the world of accreditation, or even the accreditors themselves, because I understand there are perhaps some imitation of accreditors out there, as well. But I would think all those who are legitimate would be a heck of a lot more concerned about this than they have been.

I mean, I—you know, this is not something that has had a lot of public recognition. Are they not concerned, or is it just they do not have time to be concerned? Or they are concerned and I have not seen it, or is there some reason why they are not concerned?

Ms. MORSE. They are concerned, but they do not have jurisdiction, except—I was wondering when you were talking about the similar names, if there isn't some copyright lawsuit that they could bring.

It is very hard for them to rule against these institutions. Now, someone made the comment before the hearing that ACRAO, which is the Association of College Registrars and Admissions Officers, that is also an organization that they might get together and do something about that.

Accreditors are very concerned, that's why we are concerned about the accreditation mills. And in fact, parallel to the Department of Education's Secretary of Education recognizing certain accreditors, we also have a private organization that recognizes us. That's the Council of Regional Accrediting Associations, or whatever it's called, and they also have a website that publishes these things.

Mr. CASTLE. It just seems to me that more publicity could be helpful in that area. Let me just go to one other—

Mr. BURNS. If my friend would yield for just a moment, Mr. Chairman?

Mr. CASTLE. Absolutely, Mr. Burns.

Mr. BURNS. You know, I think that's a good point. I think why don't legitimate schools take more aggressive steps? And you know, in 20 years, I think one of the ironies of being in the university environment that I was in is we tended to ignore these things as a joke, as a laughable joke, and so we didn't really look at them as a credible threat to education.

But yet now, as you have pointed out, more and more people use them as an enhancement to their career without the associated requisite input and work and development. So I think often times—Harvard, you know, I think forgery is going to—I think certainly Harvard would look at forgery and try to protect its position on forgery, but a Harvard is not going to look at a St. Regis and say, "You're a threat to me."

Ms. MORSE. We do have one area where we have jurisdiction, which is another potential area for abuse, which is that legitimate universities enter into contracts with providers, often abroad but sometimes here. And those providers may not be up to the standards of the university that is granting the degree.

And we do have accreditation requirements about that, and we review those operations very carefully, because we don't want to get a bad name for legitimate universities operating abroad.

Mr. CASTLE. Thank you. Let me ask one other question, I think of Mr. Ezell, but maybe any of you could help with this.

Are there either state—and I'm thinking about Oregon—or Federal statutes which prevent the recipient of one of—not prevent—which would make it a crime for just the mere recipient, that is just the receiving of one of these degrees, as being a crime?

Now, I understand if you pretend you're a doctor and you're not, that would be some sort of crime, I'm sure, or some other profession, or whatever it may be. But here you have a genuine college degree in 2 weeks, the thing that Mr. Ehlers had, and you know, there is nobody in their right mind that doesn't understand this is a fraud. And you send away for it, and you get it, or you send away and you get that degree from Harvard on a forgery basis.

I realize that the people issuing these things may be committing some sort of a crime, but is there any kind of a direct statute that makes this any kind of a crime in any state, maybe in terms of either the issuance or the receiving of such degrees?

Mr. EZELL. Different than counterfeit currency, the sheer possession of the degree from the institution that you would buy it from, that spam mail, is not a crime, per se.

Mr. CASTLE. OK.

Mr. EZELL. It is the use of it.

Mr. CASTLE. So it only—

Mr. EZELL. However, if we are talking about a counterfeit degree on a state college, most states have a law, a state law, that says the production, possession, use of a degree of one of their state institutions or transcripts is a violation of state statutes. So no on the Federal, yes on the state.

But it is the use of it, normally. Outside of a state degree, like the University of North Carolina, I would be violating a North Carolina general statute. Or the University of Florida. But there is not a Federal statute. And if I bought one from this spam mail and hung it up behind the bar of my home as a joke, if you would, I have not violated the law. But I am not a lawyer, but that is my opinion.

Mr. CASTLE. Right. Well, I have no further questions. I do not know if Mr. Kildee or Mr. Burns has any further. I have, frankly, a whole lot of questions, but I would need the rest of the day if I kept asking them, and you have answered a lot of them in your written testimony, and we appreciate that.

Mr. KILDEE. I just want to thank you, Governor Castle, for really initiating the idea for having this hearing. I have learned a lot today. I am shocked and somewhat discouraged, too.

I worked hard for my MA at the University of Michigan. And the thought that people could fraudulently achieved that—I was very proud, and my parents were very proud when I got that—it is kind of discouraging, also, when you see this, really, violation of the rules of decency in society.

But you, all three, have been very, very helpful. And I think we will have to try to see what we can do in the Federal level, maybe



parallel some things that they have done in the state level, like in Oregon on that.

But I would like to see a reinstatement of the DIPSCAM in the FBI. I mean, you have someone who is really zealous and recognizes this is fraudulent, and this is discouraging, I think that might at least limit the fraud here, both by the person granting—the business granting this phony degree, and the person receiving it.

Thank you very much. I really appreciate it. Thank you.

Mr. CASTLE. Thank you. And I would also like to thank Mr. Burns, who has had a deeper involvement in higher education than almost any of us, except perhaps Mr. Ehlers, for his interest in this.

I mean, you know, it is hard to get your arms around this, but there is absolutely no question in my mind that there are some very wrong things which are happening here, and who is actually carrying it out. I am not 100 percent certain.

As you could tell from my questioning, I happen to believe that those who are receiving these are actually part of the problem, maybe a smaller part of the problem, but it involves a substantial amount of money, not just the money they're making, but the fraud of, say the Federal Government, for example, and paying people pursuant to degrees which they have received which they have not properly earned, which we know now exists. Well, that's just one type of business. There are probably all other kinds of businesses that are doing this, as well.

So, I think it is a tremendous problem out there, and something we have to deal with. I think you have made some excellent recommendations. It is my hope that this hearing will plant the seed of interest in this Committee and in the Congress to go beyond where we have been before.

I hope the FBI is listening to what we are saying. Perhaps we need follow-up hearings on that. The investigative arms of the congress, GAO, et cetera, and the others who may need the resources to do something about this, perhaps the schools themselves, the accreditors, could do more than perhaps the Department of Education can.

Knowledge can shed a lot of light on this. And as I said before—and I agree with Mr. Ezell on this—a little bit of law enforcement, a little bit of publicity on it, can go a long ways to shutting down some of this, as well.

But I think it has been a good hearing today, and I very much would like to thank all of you for taking the time to be here, your interest in it. Hopefully you are going to hear more from us in the future.

Unless anybody has anything further, we stand adjourned. Thank you.

Ms. MORSE. Thank you.

[Whereupon, at 12:35 p.m., the Subcommittee was adjourned.]

